Habib Sugar Mills Limited

Annual Report 2017

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Contents

Company Information

Board of Directors	Asghar D. Habib	*Chairman*
	Ali Raza D. Habib	
	Muhammad Nawaz Tishna	
	Murtaza H. Habib	
	Amin Ali Abdul Hamid	
	Shams Mohammad Haji	
	Imran A. Habib	(Resigned on July 04, 2017)
	Munawar A. Habib	(Co-opted on August 05, 2017)
	Raeesul Hasan	*Chief Executive*
Audit Committee	Amin Ali Abdul Hamid	Chairman
	Ali Raza D. Habib	Member
	Shams Mohammad Haji	Member
Human Resource & Remuneration Committee	Shams Mohammad Haji	Chairman
	Amin Ali Abdul Hamid	Member
	Raeesul Hasan	Member

Company Secretary
Amir Bashir Ahmed

Registered Office
3rd Floor, Imperial Court,
Dr. Ziauddin Ahmed Road,
Karachi-75530
Phones : (+92-21) 35680036 - 5 Lines
Fax : (+92-21) 35684086
www : habib.com/sugar
E-mail : sugar@habib.com

Mills

Sugar & Distillery Division
Nawabshah District Shaheed Benazirabad
Phones : (+92-244) 360751 - 5 Lines
Fax : (+92-244) 361314

Textile Division
D-140/B-1 Mangopir Road
S.I.T.E. Karachi-75700
Phones : (+92-21) 32571325, 32572119
Fax : (+92-21) 32572118

Bulk Storage

Terminal
60/1-B Oil Installation Area
Kaemari Karachi-75620
Phones : (+92-21) 32852003-4
Fax : (+92-21) 32852005

Bankers
Allied Bank Limited
Bank AL Habib Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Statutory Auditors
EY Ford Rhodes
Chartered Accountants

Share Registrar
THK Associates (Pvt.) Limited
1st Floor, 40-C, Block-6,
P.E.C.H.S, Karachi-75400
Phones : (+92-21) 111-000-322
Fax : (+92-21) 34168271
E-mail : secretariat@thk.com.pk
info@thk.com.pk
Website : www.thk.com.pk

VISION STATEMENT

We aim to be a leading manufacturer and supplier of quality sugar, ethanol, liquidified carbon dioxide (CO_2) and household textiles in local and international markets. We aspire to be known for the quality of our products and intend to play a pivotal role in the economic and social development of Pakistan.

MISSION STATEMENT

As a prominent producer and supplier of sugar, ethanol, liquidified carbon dioxide (CO_2) and household textiles, we shall continue to strive to achieve excellence in performance and aim to exceed the expectations of all stakeholders. We target to achieve technological advancements to inculcate the most efficient, ethical and time tested business practices in our management.

Code of Conduct

The founders of Habib Sugar Mills Limited were visionaries who established the company on very sound principles and envisioned its development and growth on the basis of making no compromises in any aspects of business practices. The company takes pride in adherence to its principles and continues to serve its customers, stakeholders and society based on the following guidelines :

Products

- To produce refined, high-grade sugar that is edible and hygienic and provides all the nutrition and food value at standards determined by the company, which would exceed industry norms and averages.
- To produce by-products and allied products including molasses, ethanol and liquidified carbon dioxide (CO_2).
- To diversify into other products such as home textiles thus consuming indigenous raw material and generating export earnings.

Systems & Processes

- To regularly update and upgrade manufacturing systems and processes so as to keep abreast with technological advancements, achieve economies of production and transfer knowledge and skill to workers.
- To develop and maintain the technical and professional standards, standard operating procedures and stringent quality control measures with on-line quality assurance at every stage of manufacture.
- To continuously conduct product research and develop new products, while improving upon the existing products, using ideal additives and packaging material.
- To regularly maintain, replace and upgrade all machinery and equipment for smooth working, optimum output and ensure safe working in all production units.
- To maintain a smooth work-flow in all departments with an effective communication system contained within the framework of principles yet allowing the required degree of autonomy for efficient functioning.

Management & Employees

- To employ only the appropriately suited human resource through the selection and recruitment process based on the commensurate qualifications and experience criteria without any non-professional considerations, without any bias or prejudice of race, cast, colour, creed or religious beliefs.
- To ensure that all management personnel are adequately qualified to perform management functions as assigned.
- To guide, direct and motivate employees to perform functions and to recognize and reward employees based on their performance outputs.
- To measure employee's performance by a pre-determined criteria so as to be fair and equitable towards every single employee.
- To ensure that all employees work towards achievement of corporate objectives, individually and collectively as a team and conduct themselves at work and in society as respectable employees and responsible citizens.

- To regularly train all employees at all levels to improve their knowledge and skill and provide employees with a career path whereby they can seek a planned betterment in their professional and personal life.
- To ensure that all employees and management personnel strictly adhere to the company rules and regulations and observe the best codes of conduct and abide by all laws of Pakistan.
- To make timely payment of salaries, wages and all allowances and benefits to all employees in line with their terms.
- To ensure all directors and employees of the company shall undertake such activities, whether personal or professional, that in no way conflicts with the interests of the company but contributes towards the betterment, development and growth of the organization in particular and the industry in general.

Financial

- To implement an effective, transparent and secure financial reporting and internal control system so as to ensure compliance with regulatory factors as well as meet all obligations of payable and receivables and keep investors, shareholders and management fully aware.
- To ensure effective utilization of all company resources and plan and operate resource utilization in order to produce better results and generate better yields and facilitate timely decisions.
- To place a strict Internal Audit system to study, analyze, review and report all company earning and spending and enhance reliability of all financial information and build shareholders confidence.
- To regularly prepare, as per pre-determined schedules, all financial reports and present accounts to the Board for review and analysis and show trends based on company income, revenues and expenses and industry trends.
- To ensure cost effectiveness and purchase goods and services based on developed criteria, vendor assessment and market competitiveness and evaluate options on prices, terms, products/services, substitute available, prior to purchase.
- To ensure timely and proper payments as per negotiated terms to all suppliers and deduct applicable taxes so as to enhance corporate credibility and image.
- To maintain an excellent relationship with bankers and utilize banking facilities in a manner to benefit company whilst making proper use of funding and facilities available and ensuring no defaults.

Adherence to Law

- The company shall at all times strictly adhere to all laws of the country and fulfill all statutory requirements and ensure timely, proper and full payment of all applicable taxes, rates, duties and/or any other levies as may be imposed from time to time.

Environment

- The company shall use all means to ensure a clean, safe, healthy and pollution free environment not only for its workers and employees but for the well being of all people who live in and around any of the production and manufacturing units and employ such technology as may be beneficial in maintaining a healthy and hygienic working and living environment.

Planning

- The company shall prepare an annual plan with clearly defined objectives, goals and strategies and implement those plans with a close watch on achievements and monitor and control measures shall be built in to ensure achievement of objectives and enhancement of corporate image.

Notice of Annual General Meeting

Notice is hereby given that the 56th Annual General Meeting of Habib Sugar Mills Limited will be held on Saturday, January 27, 2018 at 11:00 a.m. at Jinnah Auditorium, The Institute of Bankers Pakistan (IBP), M.T. Khan Road, Karachi to transact the following business:

Ordinary Business

1. To receive and consider the audited financial statements, the Directors' report and the Auditors' report for the year ended September 30, 2017.

2. To approve payment of cash dividend @ 35% i.e. Rs. 1.75 per share of Rs. 5 each for the year ended September 30, 2017 as recommended by the Board of Directors.

3. To appoint auditors of the company for the year ending September 30, 2018 and fix their remuneration.

Special Business

4. To consider and if thought fit, pass the following Special Resolutions, with or without modification, to amend the Articles of Association of the Company in order to enable the e-voting mechanism as prescribed in the Companies (E-Voting) Regulations, 2016 issued by the Securities and Exchange Commission of Pakistan.

   "**RESOLVED THAT** pursuant to compliance with Companies (E-Voting) Regulations, 2016 issued by the Securities and Exchange Commission of Pakistan as amended vide S.R.O 33(I) / 2017 dated January 20, 2017, the Articles of Association of the Company be and are hereby amended as follows:

a. By inserting the following new Clause 67A after Clause 67 of the Articles of Association of the Company:

   67A. A member may opt for e-voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016 (including any statutory modification thereof), as amended from time to time. In the case of e-voting, both members and non-member can be appointed as proxy. The request to appoint execution officer and option to e-vote through intermediary shall be required to be submitted with the Company at the Company's Registered Office or through email at least ten (10) days before holding of the general meeting. The Company will arrange for e-voting, if the Company receives request for e-voting from any member or members having not less than one tenth of the voting power."

b. By inserting the following proxy form for e-voting in existing Clause 75:

Habib Sugar Mills Limited
Form of Proxy for e-voting

I/we__________________ of _______________, being a member of Habib Sugar Mills Limited, holder of __________ Share(s) as per Register Folio No. ______ hereby opt for e-voting through Intermediary and hereby give consent for the appointment of Execution Officer ______________ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____________________, please send login details, password and electronic signature through email.

Signature of member

(Signature should agree with the specimen signature registered with the Company)

Signed in the presence of:

Signature of Witness   Signature of Witness

“**FURTHER RESOLVED THAT** the Company Secretary be, and is hereby, authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution”.

5. To approve the remuneration of working Director of the Company.

6. To consider and if thought fit, pass with or without amendment/modification following resolutions as ordinary resolution, to obtain consent from the members for the transmission of annual audited accounts in electronic form.

“**RESOLVED THAT** the Company, be and is hereby, authorised to circulate the annual balance sheet and profit and loss account, auditor’s report, director’s report, notice of Annual General Meeting etc., (annual audited accounts) to its members through CD/DVD/USB instead of hard copy at their registered addresses. However, if a member prefers to receive hard copies for all the future annual audited accounts then such preference of the member shall be given to the Company in writing and thereafter the Company shall provide hard copies of all the future annual audited accounts to such member.

FURTHER RESOLVED THAT Company Secretary be and is hereby authorised to do all necessary acts, deeds and things in connection therewith and ancillary thereto as may be required or expedient to give effect to the spirit and intent of the above resolution.”

A statement under Section 134(3) of the Companies Act, 2017 in respect of the above special businesses is being sent to the members along with a copy of this notice.

By order of the Board

Amir Bashir Ahmed
Company Secretary

Karachi: December 28, 2017

Notes:

1. The Share Transfer Books of the Company will remain closed from Monday, January 15, 2018 to Saturday, January 27, 2018 both days inclusive.

2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed at least 48 hours before the time of meeting.

3. For identification, Owners of the physical shares and CDC account holder should present Computerized National Identity Card (CNIC) along with participants ID number and CDC account Number. In case of appointment of proxy by such account holders, the guidelines as contained in the SECP's circular of January 26, 2000 are to be followed.

4. Members are requested to notify any change in their addresses and their contact numbers immediately to our Share Registrar, THK Associates (Pvt.) Limited, Karachi.

5. Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), it is mandatory to mention CNIC number of member on members' register and other statutory returns. Those shareholders who have not submitted copy of their CNIC to the Company are once again requested to submit copy of their CNIC, otherwise the Company will be constrained under section 243(2)(a) of the Companies Act, 2017 to withhold dividend of such shareholders.

6. The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
   (i) For filers of income tax returns 15 %
   (ii) For non-filers of income tax returns 20 %

   Shareholders who are filers are advised to make sure that their names are entered in to Active Tax Payer List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

   For shareholder holding their shares jointly, as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio/CDC Account No.	Total shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

   The required information must reach to the Company's Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s).

   The Corporate shareholders having CDC account are required to have their National Tax number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN certificate to the Company or Company's Share Registrar M/s THK Associates (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective Folio numbers.

7. **Mandatory requirement of Bank details for payment of dividend**

   Pursuant to the provision of Section 242 of the Companies Act, 2017, a listed company is required to pay cash dividend to shareholders **only** through electronic mode directly into the bank account designated by the entitled shareholders. In order to receive your dividends directly into your Bank account, please complete the particulars as mentioned below and return this letter duly signed to the Registrar of the Company **M/s THK Associates (Pvt.) Limited, Karachi.** CDC shareholders are requested to submit their Dividend Mandate directly to their broker (participant) / CDC.

SHAREHOLDERS PARTICULARS FOR ELECTRONIC CREDIT OF CASH DIVIDENDS

I/We/Messrs,____

Being a / the shareholder (s) of Habib Sugar Mills Limited (the Company), hereby, authorize the Company, to directly credit cash dividends declared by it, time to time in future, in my bank account as detailed below;

Name of Shareholder ____________________

Folio No./CDC Participant ID & A/C No ____________________

Contact number Land Line __________ Cell No __________

Email address ____________________

Name of Bank ____________________

Bank Branch & Mailing address ____________________

IBAN Number ____________________

Title of Account ____________________

CNIC No. (Copy attached) ____________________

NTN (incase of corporate entity) ____________________

It is stated that the above particulars provided by me/us are correct to the best of my knowledge and I shall keep the Company/Participant/CDC investor account services informed in case of any changes in the said particulars in future.

____

Signature of Shareholder

Note: Please provide complete IBAN after checking with your concerned bank branch to enable electronic credit directly into your bank account.

The payment of cash dividend will be process on the basis of the IBAN alone. Habib Sugar Mills Limited will rely on the IBAN as per instructions provided by the shareholder. The Company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, form any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and/or due to any event beyond the control of the Company.

The e-dividend mandate form is also available on the Company's website: www.habibsugar.com

8. Unclaimed/Unpaid Dividend and Share Certificates:

Shareholders who could not collect their dividend /physical shares are advised to contact Share Registrar or our Registered Office to enquire and collect their unclaimed dividend/shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such unclaimed dividend and shares for a period of 3 years or more from the date it is due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to Securities and Exchange Commission of Pakistan (SECP).

9. Transmission of Financial Statements & Notices through email

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are requested to send their consent and e-mail addresses for receiving Audited Financial Statements and Notices through e-mail. In order to avail this facility, a standard request form is available at the Company's website.

Company Address:
Habib Sugar Mills Limited
3rd Floor, Imperial Court
Dr. Ziauddin Ahmed Road, Karachi-75530
Phones : (+92-21) 35680036 – 5 Lines
Fax : (+92-21) 35684086
e-mail : companysecretary@habibsugar.com

Share Registrar Address:
THK Associates (Pvt.) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi-75400
UAN : (021)111-000-322,
Fax : (021)34168271
e-mail: secretariat@thk.com.pk

Statement under Section 134(3) of the Companies Act 2017

This Statement sets out the material facts concerning the Special Business to be transacted at the 56th Annual General Meeting of the Company to be held on January 27, 2018:

Item No. 4 of the Agenda – Companies (E-Voting) Regulations, 2016:

The Securities and Exchange Commission of Pakistan, through the Companies (E-Voting) Regulations, 2016 has allowed the members of the company to use their voting rights by electronic means. As per the provisions of above Regulations, details of execution officer will be communicated to members through notice of general meeting and members can exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the general meeting. The Company will arrange for e-voting upon receipt of request from any member or members having not less than one tenth of the voting power.

To give effect of the Companies (E-Voting) Regulations 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting. The Board of Directors have recommended to the members to approve and adopt amendments in Articles of Association of the Company by inserting a new Clause 67A after the Clause 67 and proxy form for e-voting in existing Clause 75 of the Articles of Association.

None of the Directors of the Company have any direct or indirect interest in the above said special business.

Item 5 of the Agenda – Remuneration of Director:
(Disclosure under Section 213)

The Board of Directors have recommended payment of the following remuneration to the working Director of the Company, subject to an increment not exceeding 20% per annum.

	Remuneration per month
Mr. Munawar Ali Habib	Rs. 650,000/-

In addition, he will be provided with two company maintained cars, reimbursement of utilities and entertainment at actuals and other benefits as per policy of the Company, which in aggregate is estimated to be approximately 40% of his remuneration as stated above.

The above Director has interest in aforesaid business to the extent of his remuneration and perquisites as shown above.

Item 6 of the Agenda – Transmission of Audited Financial Statements through CD/DVD/USB:

The Securities and Exchange Commission of Pakistan (SECP) vide SRO No. 470(I)/2016 dated May 31, 2016, has allowed listed companies to circulate their Annual Audited Accounts (i.e. the annual balance sheet and profit and loss account, auditor's report and director's report) to its members through CD/DVD/USB at their registered addresses instead of sending them in hard copies, subject to approval obtained from shareholders in General Meeting. Accordingly, approval is hereby sought from members of Company to comply with the requirements of said SRO vide an ordinary resolution.

Subject to the approval of resolution in the AGM, the company will circulate its annual accounts in future through CD/DVD/USB. However, members will have the right to request hard copies free of cost at their registered addresses after submitting the Standard Request Form which shall be made available on the Company website. While members who wish to receive hard copies for all future annual audited accounts shall also require to give their preference in writing.

None of the Directors of the Company have any direct or indirect interest in the above said special business.

To give effect of the Companies (E-Voting) Regulations 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting. The Board of Directors have recommended to the members to approve and adopt amendments in Articles of Association of the Company by inserting a new Clause 67A after the Clause 67 and proxy form for e-voting in existing Clause 75 of the Articles of Association.

None of the Directors of the Company have any direct or indirect interest in the above said special business.

Six years' review at a glance

		2017	2016	2015	2014	2013	2012
Sugar Division							
Sugarcane crushed	M. Tons	865,530	821,801	854,231	1,116,554	939,959	851,620
Average sucrose recovery	%	9.97	10.74	10.40	10.44	11.02	10.78
Sugar produced	M. Tons	86,316	88,271	88,807	116,513	103,582	91,832
Distillery Division							
Ethanol							
Molasses processed	M. Tons	182,774	175,538	163,846	176,226	173,497	163,560
Average ethanol yield	%	18.43	18.13	18.73	18.59	17.56	17.92
Ethanol produced	M. Tons	33,687	31,817	30,681	32,768	30,464	29,307
Liquidified Carbon dioxide (CO_2) produced	M. Tons	11,069	10,104	9,230	8,436	7,584	4,902
Textile Division							
Yarn / Semi finished goods consumed	Kgs.	584,310	650,892	890,831	983,143	1,100,321	780,469
Average yield	%	88.18	85.76	84.58	84.95	86.23	86.64
Finished product	Kgs.	515,253	558,194	753,449	835,210	948,812	676,185
						(Restated)	
Operating results							
Sales / Rental income	Rs. '000	7,134,930	8,517,094	8,197,388	9,050,916	8,812,098	7,096,467
Cost of sales	Rs. '000	6,544,790	7,499,710	7,222,293	7,983,079	7,606,639	5,847,461
Gross profit	Rs. '000	590,140	1,017,384	975,095	1,067,837	1,205,459	1,249,006
Profit before taxation	Rs. '000	497,417	970,962	970,230	922,091	933,951	981,150
Profit after taxation	Rs. '000	557,417	824,962	815,230	797,091	778,951	781,150
Shareholders' Equity							
Paid-up capital	Rs. '000	750,000	750,000	750,000	750,000	750,000	750,000
Reserves	Rs. '000	6,233,335	5,781,437	5,110,222	4,699,252	3,882,767	3,304,851
Shareholders' equity	Rs. '000	6,983,335	6,531,437	5,860,222	5,449,252	4,632,767	4,054,851
Break-up value per share	Rupees	46.56	43.54	39.07	36.33	30.89	27.03
Adjusted earnings per share - Restated*	Rupees	3.72	5.50	5.43	5.31	5.19*	5.21
Return on equity	%	7.98	12.63	13.91	14.63	16.81	19.26
Financial position - Assets							
Fixed assets - Restated*	Rs. '000	2,692,170	2,161,885	1,542,980	1,353,601	959,820*	771,839
Long–term investments	Rs. '000	2,403,065	2,025,968	1,711,136	1,451,587	999,888	2,001,263
Long–term loans and deposits	Rs. '000	10,598	8,139	6,975	8,354	5,852	7,207
Current assets - Restated*	Rs. '000	4,036,776	4,428,079	4,609,485	4,167,349	3,918,926*	2,497,320
Total assets	Rs. '000	9,142,609	8,624,071	7,870,576	6,980,891	5,884,486	5,277,629
Financial position - Liabilities							
Non-current liabilities	Rs. '000	98,500	104,000	102,000	90,000	75,000	81,500
Current liabilities	Rs '000	2,060,774	1,988,634	1,908,354	1,441,639	1,176,719	1,141,278
Total liabilities	Rs. '000	2,159,274	2,092,634	2,010,354	1,531,639	1,251,719	1,222,778
Ratios							
Current ratio		1.96	2.23	2.42	2.89	3.33	2.19
Dividends							
Cash	%	35	55	50	50	50	50

Chairman's Report

Review Report by Chairman on Board's overall Performance under section 192 of the Companies Act, 2017

The performance of the Board of Directors (the "Board") of Habib Sugar Mills Limited (the "Company") during the year remained satisfactory. The Board is governed by the statute and Company's Articles and its duties, obligations, responsibilities and rights are as defined and prescribed therein.

On January 30, 2017, the Directors completed their term and Messrs Asghar D. Habib, Ali Raza D. Habib, Muhammad Nawaz Tishna, Amin Ali Abdul Hamid, Shams Mohammad Haji, Murtaza H. Habib and Imran A. Habib were elected as directors of the Company for a period of three years. During the year Mr. Imran A. Habib resigned from the Board and in his place Mr. Munawar Ali Habib was co-opted.

Presently, The Board of the Company comprised of :

Mr. Asghar D. Habib	Chairman, Non-Executive Director
Mr. Ali Raza D. Habib	Non-Executive Director
Mr. Muhammad Nawaz Tishna	Non-Executive Director
Mr. Amin Ali Abdul Hamid	Non-Executive Director
Mr. Shams Mohammad Haji	Independent Director
Mr. Murtaza H. Habib	Executive Director
Mr. Munawar Ali Habib	Executive Director
Mr. Raeesul Hasan	Chief Executive

During the financial year 2016-17 the Board met five (5) times. The Board is compliant with all the regulatory requirements and acted in accordance with applicable laws and best practices.

As required under the Code of Corporate Governance (CCG), an annual evaluation of the Board of the Company is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

Following are the integral components on which the performance of the Board was evaluated :

The Board ensures adequate representation of non-executive and independent directors on the Board and its Committees as required under the CCG. The members of the Board and its respective Committees possess adequate skills, experience and ability required to perform their responsibilities.

The Board has actively participated in strategic planning, risk management and policy development. The Board has also ensured integration of all policies and convergence to company's vision and mission. The Board sets annual budgets, targets and goals for the management.

The Board and its Committees have diligently performed their duties and remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management. The Board has held extensive and fruitful discussions to arrive at decisions and appropriate direction and oversight is provided to the management on timely basis.

The Board has developed an environment of robust and transparent system of Governance by setting up adequate and effective internal control system through self-assessment mechanism and internal audit activities. Further, the Board ensured compliance with best practices of corporate governance.

Lastly, I wish to acknowledge the commitment and diligence of my fellow directors, the executive team and all the employees of the Company for their hard work and contribution towards the growth of the Company.

Asghar D. Habib
Chairman

Karachi: December 28, 2017

Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of the Board of Directors, we are pleased to welcome you all to the 56th Annual General Meeting of the Company and present before you the Annual Report and Audited Financial Statements of the Company for the year ended September 30, 2017.

By the Grace of Allah, during the year under review, the operations of your Company resulted in after-tax profit of Rs.557.42 million. The operating results and appropriations as recommended by the Board are given below:

		(Rupees in thousands)
Profit after taxation		557,417
Adjustment of Other Comprehensive Income	(275)	
Unappropriated profit brought forward	2,753	
		2,478
Profit available for appropriation		559,895
Proposed – Cash Dividend @ 35% i.e. Rs.1.75 per ordinary share of Rs.5/- each	262,500	
– Transfer to general reserve	295,000	
		557,500
Unappropriated profit carried forward		2,395
Earnings per share – Basic and diluted		Rs. 3.72

Performance Review

Division-wise performance of the Company is as follows :

Sugar Division

The crushing season 2016-17 commenced on November 17, 2016 and the plant operated upto March 24, 2017 for 128 days as against 111 days in the preceding season. Sugarcane crushed during the current season was 865,530 M. Tons with average sucrose recovery of 9.97 % and sugar production of 86,316 M.Tons as compared with crushing of 821,801 M. Tons with average sucrose recovery of 10.74 % and sugar production of 88,271 M. Tons during the preceding season. The production of sugar as compared to the previous year decreased due to lower recovery.

The Government of Sindh on October 31, 2016 issued notification fixing the minimum support price of sugarcane for crushing season 2016-17 at Rs.182 per 40 kgs as compared with Rs.172 per 40 kgs for the crushing season 2015-16. In addition, mills would be required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the bench mark of 8.7%. However, in accordance with the notification, while the matter is still pending with the Honourable Supreme Court of Pakistan and as per the decision of the Federal Government Steering Committee, the quality premium shall remain suspended till the decision of the Honourable Supreme Court or the consensus on uniform formula developed by the Federal Government.

The comparative statistics of the division's operations are given below :

		2016-17	2015-16
Crushing duration	Days	128	111
Sugarcane crushed	M.Tons	865,530	821,801
Average sucrose recovery	%	9.97	10.74
Sugar production	M.Tons	86,316	88,271

During the current crushing season, the supply of sugarcane had been erratic resulting in lower average per day sugarcane crushing as compared with the previous year. Moreover, due to global warming, the temperatures were high, resulting in delayed maturity and lower sucrose recovery as compared with the previous year.

The Economic Co-ordination Committee (ECC) during December 2016 to July 2017 had allowed sugar exports of 0.725 million M.Tons of Sugar without any rebate/cash subsidy to the exporters. Against the above permissions, your Company exported only 5,200 M. Tons in March 2017 and subsequently, due to decline in the sugar price in the international market further export of sugar was not considered viable.

During the year, there was a record production of 7.1 million M. Tons of Sugar as against estimated consumption of 6.0 million M. Tons in the country resulting in oversupply situation, which caused depressed market scenario in the domestic market. At the same time, prices in the international market were also low making exports unviable. The drastic reduction in sugar price both in domestic and international market adversely affected the profitability of the division, resulting in operating loss of Rs.110.96 million as compared with profit of Rs. 318.36 million during the previous year.

Distillery Division

Alhamdolillah, the overall performance of distillery division continued to be satisfactory and division earned operating profit of Rs.362.58 million as compared with profit of Rs. 336.21 million during the previous year.

The liquidified carbon dioxide (CO2) unit also operated satisfactorily and produced 11,069 M.Tons as compared with 10,104 M. Tons during the previous year.

The Comparative statistics of the division's operations are given below :

		2016-17	2015-16
Ethanol			
Days of operation		344	347
Molasses processed	M.Tons	182,774	175,538
Ethanol production	"	33,687	31,817
Liquidified Carbon dioxide (CO_2)			
Days of operation		277	267
Liquidified Carbon dioxide (CO_2) production	"	11,069	10,104

Textile Division

The Textile division suffered operating loss of Rs. 1.23 million as compared with profit of Rs. 9.96 million during the previous year. The division suffered loss due to lower sales volume and increase in yarn price.

The comparative statistics of the division's operations are given below :

		2016-17	2015-16
Days of operation		300	350
Yarn consumed	Kgs	584,310	650,892
Finished goods production	Kgs	515,253	558,194

Trading Division

During the year under review, the division made operating profit of Rs. 6.56 million on account of trading of molasses and sugar as against operating profit of Rs.53.24 million during the previous year. The decrease in profit is attributed to the loss suffered on sugar trading due to drastic reduction in sugar prices during the later part of the year.

Future Prospects

Sugar Division

The sugar division of the Company commenced crushing and upto December 27, 2017 was 156,906 M.Tons with average sucrose recovery of 9.38 % and sugar production of 14,727 M.Tons including stock in process.

The Government of Sindh on December 5, 2017 issued a notification fixing the minimum sugarcane support price at Rs.182 per 40 kgs for the crushing season 2017 – 18. In addition, mills would be required to pay quality premium at the rate of paisas fifty for every 0.1 percent recovery in excess of the bench mark of 8.7%. However, in accordance with the notification, while the matter was still pending with the Honourable Supreme Court of Pakistan and as per the decision of the Federal Government Steering Committee, the quality premium would remain suspended till the decision of the Honourable Supreme Court or the consensus on uniform formula developed by the Federal Government.

In December 2017, after reviewing the sugar stock position in the country the ECC allowed export of further 1.500 million tons of sugar.

The minimum sugarcane support price fixed by the Sindh government at Rs. 182/40 kgs is not justified in relation to the prevailing sugar price both in domestic and international markets. Your company along with other sugar mills filed a petition before the Hon'ble High Court of Sindh praying that the minimum support price fixed by the Sindh government was totally arbitrary and unjustified as it would result in financial catastrophe and economic disaster to the sugar industry in the Province of Sind. In response to the petition, the Hon'ble High Court of Sindh passed an interim order on December 22, 2017 directing sugar mills to make payment to the growers at the rate of Rs. 172/40 kgs w.e.f. December 23, 2017 and also furnish security acceptable to the Nazir of the Court within three weeks from the date on which the order takes effect for the differential amount calculated on the basis of the sugarcane quantum crushed during the crushing season 2016-17. The sugar mills aggrieved with the interim order filed a review petition to be taken up for hearing on December 28, 2017.

Distillery Division

During the period upto December 27, 2017 the distillery division produced 4,547 M.Tons of ethanol and 1,485 M.Tons of liquidified carbon dioxide.

The depreciation of Pak rupee against dollar and reduction in molasses price will have a positive impact on the profitability of the division.

Textile Division

Efforts are being made to explore additional export markets to achieve better sale volume and profitability.

Crushing Capacity of Sugar Division

During the year, the sugarcane crushing capacity of the sugar division enhanced to 11,000 TCD under Balancing, Modernization and Replacement. The trial run of the enhanced capacity was completed at the end of the crushing season 2016-17.

Investment in Bagasse Based Co-Generation Project of 26.5 MW

The Board of Directors in their meeting held on April 29, 2017 approved investment of upto Rs. 750 million in HSM Energy Limited, a wholly owned subsidiary of the Company. HSM Energy was incorporated on May 16, 2017 with an initial authorized capital of Rs. one hundred thousand.

Upto December 20, 2017 company had incurred an amount of Rs. 24.41 million towards the above project in respect of regulatory fees, consultancy charges and ancillary expenses.

The Company has obtained approval of upfront Tariff, Generation Licence and Letter of Support. The Energy Purchase Agreement (EPA) and Implementation Agreement (IA) have not yet been signed by the Company as a review application with respect to upfront Tariff has been filed by the Central Power Purchasing Agency (CPPA) which is pending adjudication before the National Electric Power Regulatory Authority (NEPRA). The application was lastly fixed for hearing on December 14, 2017 and was not taken up.

In December 2017, Government announced to discontinue purchase of power on the basis of upfront tariff for the projects based on indigenous renewable resources and to award upcoming power generation contracts through competitive bidding process. In addition, it was also announced that the government will be obligating only those renewable projects who have signed Energy Purchase Agreement (EPA) and Implementation Agreement (IA) before December 10, 2017. The management is reviewing the situation and future course of action will be decided upon issuance of Notification and further clarification from the government.

Investment in Wind Power Project

The shareholders of the Company approved investment of upto Rs.450 million in Uni Energy Limited, an associated unlisted public company incorporated to undertake business activities related to generation and transmission of electric power generation through wind.

The Company made initial equity investment of Rs.12.50 million. Government of Sindh has granted Letter of Intent (LOI) and allotted land for setting up the project at Jhimpir, district Thatta. Presently, the government is reviewing the Basis of Tariff determination and mechanism for purchase of energy from wind projects. The future course of action will be decided upon clarification from the government.

Investment in Food Business

In line with the Company's Vision of diversification, the directors of the Company have accorded their approval for investment in Uni-Food Industries Limited, a public unlisted company to the extent of Rs.120 million. Upto December 20, 2017 the company has invested Rs. 66.2 million. The core business of the Company is to manufacture and brand confectionary items and other allied products. The Company is in final stages of installation of plant and machinery and it is expected that the commercial production will commence by March 2018.

Board and Management Committees

Audit Committee

The Company has established Audit Committee as required in the Code of Corporate Governance. The Audit Committee comprises of three members, two of whom are non-executive directors including the Chairman of the Committee and one is independent non-executive director. The Audit Committee met four times during the year. Attendance of meetings is as follows:

		No. of meetings attended
Mr. Amin Ali Abdul Hamid	Chairman	4
" Ali Raza D. Habib	Member	2
" Shams Mohammad Haji	Member	4

HR and Remuneration Committee

The Company has established HR and Remuneration Committee as required in the Code of Corporate Governance. The HR and Remuneration Committee comprises of three members, two of whom are non-executive directors. The CEO is also member of the Committee. The Chairman of the Committee is independent non-executive director. The HR and Remuneration Committee met once during the year. Attendance of meeting is as follows:

		No. of meeting attended
Mr. Shams Mohammad Haji	Chairman	1
" Amin Ali Abdul Hamid	Member	1
" Raeesul Hasan	Member	1

Corporate Social Responsibility

Habib Sugar Mills Corporate Social Responsibility (CSR) programme dates back since its inception in 1962. Responding to the needs of local communities, government bodies and civil society organizations, the Company's CSR portfolio has widened over the years to include social welfare, education, healthcare, infrastructural development and livelihood generation.

Community Investment and Welfare Scheme

As a responsible corporate citizen, the Company has, on regular basis, undertaken number of welfare activities viz., running of school upto secondary level, holding of eye camp, financial assistance to villagers in the surrounding area of the mills and supply of free ration and medical assistance and educational support to the needy persons. The contribution of the Company in the social and economic uplift of the district has been acknowledged at all levels.

During the year, the company continued its support to Family Education Services Foundation (FESF), a non-profitable organization, to run a deaf school at Nawabshah. Your Company has donated Rs. 12.0 million during the year. At present, over 231 students are enrolled in the school. The campus is the first ever educational facility of its kind for the deaf in Nawabshah and will enable deaf students to receive education in an environment that maximizes their potentials and enhances their quality of life.

During the year, the Company also donated Rs. 4.20 million to different recognized charitable institutions which are providing education and financial support to the needy persons and establishing positive social trends in society.

Environment

The management of HSML believe that protection of environment is important for survival of every person as such company attaches utmost importance to provide healthy atmosphere to its employees and residents of Nawabshah. Accordingly, number of appropriate steps has been taken by the company to ensure pollution free environment.

The fly ash removal systems installed in the boilers of the mills continue to operate satisfactorily and the spread of black soot particles has been completely eliminated. The Company has installed a sugar factory waste water treatment plant to remove oil, grease, total suspended solids, from the waste water. The project has since been completed yielding satisfactory results. Similarly, brick lining of the lagoons and replacement of open drain channels with RCC piping have been done to avoid seepage thereby not affecting the water table of the surrounding areas.

The installation of bio-gas plant and carbon dioxide recovery plants are the manifestation of our social responsibility which has helped us to reduce the greenhouse gases emission from our distillery operations. The Company also installed industrial waste water treatment plant based upon Upflow Anaerobic Sludge Bed (UASB) system with energy recovery in the form of bio-gas.

By the grace of Allah, the successful operations of these projects have ensured a pollution free environment for the people of Nawabshah.

Health, Safety and Security

Being a responsible corporate entity, the Company is fully committed to meet all the standards with respect to health, safety and security. The Company also contributes on regular basis towards the medical needs and assistance of the people in the surrounding areas, by giving donations to clinics and welfare institutions for medical and other facilities.

Employment of Special Persons

The Company has provided employment to physically handicapped persons in compliance with the Disabled Persons (Employment & Rehabilitation) Ordinance, 1981.

Industrial Relations

Harmonious working environment and cordial industrial relations atmosphere prevailed within the Company.

Contribution to the National Exchequer

Your Company contributed an amount of Rs. 731.02 million to the Government treasury in the shape of taxes, levies, sales-tax and excise duty in addition to precious foreign exchange earned, equivalent to Pak Rupees 2,730.40 million (US$ 26.02 million) during the year under review from exports of sugar, ethanol, molasses and household textiles.

Auditors

The auditors Messrs. EY Ford Rhodes, Chartered Accountants, retire and being eligible has offered themselves for re-appointment.

The Audit Committee has recommended to consider the re-appointment of Messrs. EY Ford Rhodes, Chartered Accountants, as auditors of the Company for the ensuing year.

Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Changes, if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and deviation there from if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored regularly.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given on page 11.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments including profit accrued thereon and balances in deposit / current accounts of Provident Fund and Gratuity Fund as at September 30, 2017 were as follows:

	Rs.'000
Provident Fund	278,358
Gratuity Fund	101,475

11. During the year five meetings were held and the attendance by each Director was as follows:

Name of Director	Number of meetings attended
Mr. Asghar D. Habib	5
" Ali Raza D. Habib	3
" Muhammad Nawaz Tishna	5
" Murtaza H. Habib	3
" Amin Ali Abdul Hamid	5
" Shams Mohammad Haji	5
" Imran A. Habib*	1
" Munawar A. Habib**	-
" Raeesul Hasan	5

*resigned on July 4, 2017
**Co-opted on August 5, 2017

12. The pattern of shareholding and additional information regarding pattern of shareholding is given on page 103 and 104.

13. Change in shareholding of the Directors, CEO, CFO, Company Secretary and their spouses and minor children is given in Pattern of Shareholding on Page 104.

Election of Directors

On January 30, 2017, election of Directors was held and Messrs Asghar D. Habib, Ali Raza D. Habib, Muhammad Nawaz Tishna, Amin Ali Abdul Hamid, Shams Mohammad Haji, Murtaza H. Habib and Imran A. Habib were elected as directors of the Company for a period of three years. During the year Mr. Imran A. Habib resigned from the Board and in his place Mr. Munawar Ali Habib was Co-opted

General

The directors place on record their appreciation of the devoted services and hard work put in by the officers, staff and workers of the Company and to thank all the financial institution having business relationship with us and our satisfied customers for their continued support and cooperation.

On behalf of the Board of Directors

Raeesul Hasan	**Murtaza H. Habib**
Chief Executive	Director

Karachi: December 28, 2017

Statement of Compliance with the best practices of Code of Corporate Governance

Year ended September 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24 of listing regulations of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes:

Category	Names
Independent Director	Mr. Shams Mohammad Haji
Executive Directors	Mr. Murtaza H. Habib Mr. Munawar Ali Habib (Appointed on August 5, 2017) Mr. Raeesul Hasan
Non-Executive Directors	Mr. Asghar D. Habib Mr. Ali Raza D. Habib Mr. Muhammad Nawaz Tishna Mr. Amin Ali Abdul Hamid

The independent director meets the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a development financial institution or a non-banking financial institution or being a Broker of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. A casual vacancy occurred on the Board on July 4, 2017 which was filled up by the Directors within 32 days.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive / non-executive directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairman and the Board met atleast once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for one meeting where the notice period was reduced to four days by the directors. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such are fully aware of their duties and responsibilities. At present, four directors have acquired formal directors training certificate and three directors of the Company are exempted from the directors training program on the basis of their education and length of experience as prescribed in the Code.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for the year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members of whom two are non executive directors including the Chairman of the Committee and one is independent director.

16. The meetings of the Audit Committee were held atleast once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors. The CEO is also member of the Committee. The Chairman of the Committee is an independent director. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The statutory auditors of the company or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim / final results and business decisions which may materially affect the market price of Company's securities was determined and intimated to the directors, employees and Stock Exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchange.

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. All related party transactions have been placed before the Audit Committee and the Board of Directors on a quarterly basis and have been approved by the Board of Directors to comply with the requirements of listing regulations of the Pakistan Stock Exchange Limited.

25. We confirm that all other material principles enshrined in the CCG have been complied with.

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Karachi: December 28, 2017

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Habib Sugar Mills Limited (the Company) for the year ended 30 September 2017 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.24 (b) of the Code, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors' for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 September 2017.

EY Ford Rhodes
Chartered Accountants

Karachi: December 28, 2017

Auditors' Report to the Members

We have audited the annexed balance sheet of Habib Sugar Mills Limited as at 30 September 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;

b) in our opinion:

  i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.4 to the financial statements, with which we concur;

  ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Audit Engagement Partner: Khurram Jameel

Karachi: December 28, 2017

Unconsolidated Balance Sheet as at September 30, 2017

	Note	2017	2016
		(Rupees in thousands)	
Assets			
Non-Current Assets			
Fixed assets			
Property, plant and equipment	3	2,692,170	2,161,885
Long-term investments	4	2,403,065	2,025,968
Long-term loans	5	6,570	4,211
Long-term deposits		4,028	3,928
		5,105,833	4,195,992
Current Assets			
Stores and spare parts	6	119,735	108,843
Stock-in-trade	7	1,673,612	401,847
Trade debts	8	254,380	64,168
Loans and advances	9	803,432	246,286
Trade deposits and short-term prepayments	10	9,749	8,781
Profit accrued on bank deposits		1,551	1,083
Other receivables	11	151,819	21,795
Taxation - net		98,292	–
Cash and bank balances	12	924,206	3,575,276
		4,036,776	4,428,079
Total Assets		9,142,609	8,624,071
Equity and Liabilities			
Share Capital and Reserves			
Share Capital			
Authorised			
150,000,000 (2016: 150,000,000) Ordinary shares of Rs. 5 each		750,000	750,000
Issued, subscribed and paid-up capital	13	750,000	750,000
Reserves	14	6,233,335	5,781,437
		6,983,335	6,531,437
Non-Current Liabilities			
Deferred taxation	15	98,500	104,000
Current Liabilities			
Trade and other payables	16	1,368,854	1,641,396
Advance from customers		691,920	306,027
Taxation - net		–	41,211
		2,060,774	1,988,634
Contingencies and Commitments	17		
Total Equity and Liabilities		9,142,609	8,624,071

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Unconsolidated Profit and Loss Account
for the year ended September 30, 2017

	Note	2017	2016
		(Rupees in thousands)	
Net sales and services	18	7,134,930	8,517,094
Cost of sales	19	6,544,790	7,499,710
Gross Profit		590,140	1,017,384
Selling and distribution expenses	20	(175,440)	(153,447)
Administrative expenses	21	(157,764)	(146,174)
Other operating expenses	22	(32,054)	(54,350)
Other income	23	246,099	253,120
		(119,159)	(100,851)
Operating Profit		470,981	916,533
Finance income - net	24	26,436	54,429
Profit before taxation		497,417	970,962
Taxation	25	60,000	(146,000)
Profit after taxation		557,417	824,962
Earnings per share - Basic and diluted (Rupees)	26	3.72	5.50

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Amir Bashir Ahmed	**Raeesul Hasan**	**Murtaza H. Habib**
Chief Financial Officer	Chief Executive	Director

Unconsolidated Statement of Comprehensive Income for the year ended September 30, 2017

	2017	2016
	(Rupees in thousands)	
Profit for the year	557,417	824,962
Other comprehensive income :		
Items that will not be reclassified to profit or loss in subsequent period:		
Actuarial loss on defined benefit plan - net	(275)	(142)
	557,142	824,820
Items that will be reclassified subsequently to profit and loss in subsequent period:		
Net gain on investments - available for sale		
Unrealised gain on revaluation of investments during the year	421,237	318,010
Reclassification adjustments included in the profit and loss account for:		
Gain on sale of investments - net of tax	(113,981)	(96,615)
	307,256	221,395
Total comprehensive income for the year	864,398	1,046,215

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Amir Bashir Ahmed	**Raeesul Hasan**	**Murtaza H. Habib**
Chief Financial Officer	Chief Executive	Director

Unconsolidated Statement of Changes in Equity for the year ended September 30, 2017

	Issued subscribed and paid-up Capital	Capital Reserve	Revenue Reserves: General Reserve	Revenue Reserves: Unappropriated profit	Revenue Reserves: Unrealised gain on investments available for sale	Total Reserves	Total Equity
	(Rupees in thousands)						
Balance as on October 1, 2015	750,000	34,000	3,026,000	817,933	1,232,289	5,110,222	5,860,222
Cash dividend for the year ended September 30, 2015 @ 50%	–	–	–	(375,000)	–	(375,000)	(375,000)
Transfer to general reserve	–	–	440,000	(440,000)	–	–	–
Profit for the year	–	–	–	824,962	–	824,962	824,962
Other comprehensive income for the year	–	–	–	(142)	221,395	221,253	221,253
Total comprehensive income for the year ended September 30, 2016	–	–	–	824,820	221,395	1,046,215	1,046,215
Balance as on September 30, 2016	750,000	34,000	3,466,000	827,753	1,453,684	5,781,437	6,531,437
Cash dividend for the year ended September 30, 2016 @ 55%	–	–	–	(412,500)	–	(412,500)	(412,500)
Transfer to general reserve	–	–	412,500	(412,500)	–	–	–
Profit for the year	–	–	–	557,417	–	557,417	557,417
Other comprehensive income for the year	–	–	–	(275)	307,256	306,981	306,981
Total comprehensive income for the year ended September 30, 2017	–	–	–	557,142	307,256	864,398	864,398
Balance as on September 30, 2017	750,000	34,000	3,878,500	559,895	1,760,940	6,233,335	6,983,335

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Unconsolidated Cash Flow Statement
for the year ended September 30, 2017

	Note	2017	2016
		(Rupees in thousands)	
Cash flows from operating activities			
Cash (used in) / generated from operations	27	(1,637,052)	1,520,208
Finance income received - net		25,968	53,673
Income tax paid		(85,003)	(97,531)
Long-term loans		(2,359)	(214)
Long-term deposits		(100)	(950)
Net cash (used in) / generated from operating activities		(1,698,546)	1,475,186
Cash flows from investing activities			
Fixed capital expenditure		(731,469)	(770,655)
Redemption / sale proceeds of investments		207,170	4,111,615
Dividend received		126,266	125,599
Purchase of investments		(163,030)	(1,298,751)
Sale proceeds of fixed assets		12,549	2,527
Net cash (used in) / generated from investing activities		(548,514)	2,170,335
Cash flows from financing activities			
Dividend paid		(404,010)	(367,108)
Net cash used in financing activities		(404,010)	(367,108)
Net (decrease) / increase in cash and cash equivalents		(2,651,070)	3,278,413
Cash and cash equivalents at the beginning of the year		3,575,276	296,863
Cash and cash equivalents at the end of the year	12	924,206	3,575,276

The annexed notes 1 to 35 form an integral part of these unconsolidated financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Notes to the Unconsolidated Financial Statements
for the year ended September 30, 2017

1. The Company and its operations

Habib Sugar Mills Limited is a public limited Company incorporated in Pakistan, with its shares quoted on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing and marketing of refined sugar, ethanol, liquidified carbon dioxide (CO_2), household textiles, providing bulk storage facilities and trading of commodities. The registered office of the Company is situated at Imperial Court, 4th Floor, Dr. Ziauddin Ahmed Road, Karachi.

These are separate financial statements of the Company in which investments in subsidiary is accounted for on the basis of direct equity interest and is not consolidated.

2. Summary of significant accounting policies

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. During the year, the Companies Ordinance, 1984 (the 'Ordinance') has been repealed after the enactment of the Companies Act, 2017 (the 'Act'). However, Securities and Exchange Commission of Pakistan ('SECP') vide its Circular No. 23 of 2017 dated October 4, 2017 has relaxed the applicability of above circular for the companies whose financial year closes on or before December 31, 2017, shall prepare their financial statements in accordance with the provisions of the repealed Ordinance. Accordingly, approved accounting standards comprise of the International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. In case requirements differ, the provisions or directives under the repealed Ordinance shall prevail.

2.2 Basis of preparation

These unconsolidated financial statements have been prepared under historical cost convention, except for :

- staff retirement benefit plan which is carried at present value of defined benefit obligation net of fair value of plan assets as prescribed in IAS 19 "Employees Benefits". and
- investments which have been recognised at fair value in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement".

2.3 Significant accounting judgements and estimates

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgements which are significant to the unconsolidated financial statements:

a) Determining the residual values and useful lives of property, plant and equipment (Note 2.7.1);
b) Classification and valuation of investments (Note 2.8);
c) Impairment / adjustment of inventories to their net realizable value (Note 2.9 & 2.10);
d) Accounting for staff retirement benefits (Note 2.13);
e) Recognition of taxation and deferred tax (Note 2.16);
f) Contingencies and Commitments (Note 17).

2.4 Amended / revised standards that became effective

Following are the amended / revised standards that became effective as of October 1, 2016

IFRS 10 – Consolidated Financial Statements (Amendment)
IFRS 11 – Joint Arrangements (Amendments)
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendments)
IAS 16 – Property, Plant and Equipment (Amendments)
IAS 27 – Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 - Changes in methods of disposal
IFRS 7 - Disclosures - Servicing contracts
IFRS 7 - Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 - Discount rate : regional market issue

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on these unconsolidated financial statements.

2.5 Amended / revised standards that are not yet effective

Following are the amended standards that have been issued and are mandatory for the accounting periods effective from the dates mentioned below against the respective standards :

		Effective date (accounting periods beginning on or after)
IFRS 2	– Share-based Payments (Amendments)	January 1, 2018
IFRS 4	– Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IFRS 10	– Consolidated Financial Statements (Amendment)	Not yet finalized
IFRS 15	– Revenue from Contracts with Customers	January 1, 2018
IAS 7	– Statement of Cash Flows (Amendments)	January 1, 2017
IAS 12	– Income Taxes (Amendments)	January 1, 2017
IAS 40	– Investment Property (Amendments)	January 1, 2018
IFRIC 22	– Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	– Uncertainity Over Income Tax Treatments	January 1, 2019

The Company expects that the adoption of the above amended standards will not have any significant effect on the Company's unconsolidated financial statements in the period of initial application.

2.6 Standards issued by IASB but not yet notified by SECP

Following standards have been issued by International Accounting Standards Board (IASB) which are not yet notified by the SECP for the purpose of applicability in Pakistan:

	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 16 – Leases	January 1, 2019
IFRS 17– Insurance Contracts	January 1, 2021

In May 2014, the IASB issued IFRS-15, Revenue from Contracts with Customers which will be effective for annual periods beginning on or after January 1, 2018, however, early application is permitted. Subsequent to the year ended September 30, 2017, SECP vide S.R.O. 007(1) / 2017 dated October 4, 2017, has also notified the adoption of IFRS-15 for annual periods beginning on or after July 1, 2018.

According to the new standard, renenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS-15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS-15 supersedes IAS-11, Construction Contracts and IAS-18, Revenue as well as related interpretations. Currently, it is expected that the changes, if any, in the total amount of revenue to be recognized for a customer contract will be very limited. Besides, changes to the Statement of Financial Position are expected, e.g. separate line items for contract assets and contract liabilities are required, and qualitative disclosures are added. Hence, the Company does not expect significant impacts on its Financial Statements.

2.7 Fixed assets

2.7.1 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortization / impairment (if any), except for freehold land.

Depreciation is charged to profit and loss account applying the reducing balance method. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit is expected from its use. Gain or loss on disposal of assets is included in profit and loss account in the year the assets is derecognized.

2.7.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to the respective assets when available for intended use.

Significant borrowing costs related to acquisition, construction and commissioning of a qualifying asset are capitalized.

2.7.3 Major stores and spare parts

Major stores and spare parts qualify for recognition as property, plant and equipment when the Company expects to use these for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are issued for use.

Major stores and spare parts are valued at cost less accumulated impairment, if any.

2.8 Investments

Investments acquired with the intention to be held for over one year are classified as long-term investments. However, these can be sold earlier due to liquidity requirements. Short-term investments are those which are acquired for a short period.

Investments are classified as follows:

2.8.1 Subsidiary

Investment in subsidiary are stated at cost less impairment loss, if any.

2.8.2 Available for sale

Quoted

Available for sale investments are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in other comprehensive income as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously taken to other comprehensive income is recognised in the profit and loss account of the year.

Un-Quoted

These investment are recorded at cost less accumulated impairment, if any.

2.9 Stores and spare parts

These are valued at the lower of moving average cost and net realisable value except for items in transit which are valued at cost. Provision is made for obsolescence and slow moving items.

2.10 Stock-in-trade

These are valued as follows :

Raw materials	At the lower of average cost and net realisable value
Work-in-process	At the lower of average cost and net realisable value
Finished goods	At the lower of average cost and net realisable value
Fertilizers	At the lower of cost on FIFO basis and net realisable value
Bagasse	At the lower of average cost and net realisable value

2.11 Trade debts and other receivables

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are carried at cost less estimates made for doubtful receivables.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, with banks on current, savings, treasury call and deposit accounts, net of short-term borrowings under mark-up arrangements, if any.

2.13 Staff retirement benefits

2.13.1 Staff gratuity

The Company operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. The scheme is funded and contributions to the fund are made in accordance with the recommendations of the actuary.

The latest actuarial valuation of the gratuity scheme was carried out as at September 30, 2017. The projected unit credit method, using the following significant assumptions, have been used for actuarial valuation.

Discount rate	8.00% per annum
Expected rate of increase in salaries	7.75% per annum

Based on the actuarial valuation of gratuity scheme as of September 30, 2017, the fair value of gratuity scheme assets and present value of liabilities were Rs.101.47 million and Rs.101.75 million respectively. The Company recognises the total actuarial gains and losses in the year in which they arise. The amounts recognised in balance sheet are as follows:

	2017	2016
	(Rupees in thousands)	
Net Employee Defined Benefit Asset		
Present value of defined benefit obligation	101,748	101,745
Fair value of plan assets	(101,472)	(101,599)
Liability recognized in the balance sheet	276	146
Charge for the year		
Salaries, wages and amenities include the following in respect of employees' gratuity fund:		
Current service cost	3,641	3,419
Interest cost	7,389	8,485
Expected return on plan assets	(7,379)	(8,500)
	3,651	3,404
The movement in present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at the beginning of the year	101,745	92,164
Current service cost	3,641	3,419
Interest cost	7,389	8,485
Benefits paid	(11,390)	(2,055)
Actuarial loss / (gain)	363	(268)
Present value of defined benefit obligation at the end of the year	101,748	101,745
The movement in fair value of plan assets is as follows:		
Fair value of plan assets at the beginning of the year	101,599	92,336
Expected return on assets	7,379	8,500
Contributions	3,796	3,228
Benefits paid	(11,390)	(2,055)
Actuarial gain / (loss)	88	(410)
Fair value of plan assets at the end of the year	101,472	101,599
Actual return on plan assets	7,467	8,090
Plan assets comprise:		
Term deposit receipts	85,000	–
Defence saving certificates and Special saving certificates	–	30,683
Term Finance Certificates	263	280
Balance with Banks	15,844	56,680
Accrued interest	365	13,956
	101,472	101,599

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

As at September 30,	2017	2016	2015	2014	2013
			(Rupees in thousands)		
Present value of defined benefit Obligation	101,748	101,745	92,164	83,898	84,120
Fair value of plan assets	(101,472)	(101,599)	(92,336)	(83,638)	(84,229)
(Surplus) / Deficit	276	146	(172)	260	(109)
Experience adjustment on obligation	638	(4,292)	3,257	5,629	(764)
Experience adjustment on plan assets	88	(410)	(3,322)	(852)	(629)

Sensitivity analysis

Significant assumption for the determination of the defined obligation are discount rate and expected salary increase. The possible changes in defined obligation due to change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant are as follows :

	(Rupees in thousand)
Discount rate +1%	97,276
Discount rate -1%	106,810
Long-term salary increases +1%	106,418
Long-term salary increases -1%	97,555

2.13.2 Provident fund

The Company operates a recognised provident fund scheme for all its permanent employees. Equal monthly contributions are made by the Company and the employees at the rate of 8.33% of basic salary plus applicable cost of living allowance.

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction and commissioning of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.16 Taxation

2.16.1 Current

Provision for current taxation is computed in accordance with the provisions of the applicable income tax laws.

2.16.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the unconsolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

2.17 Impairment

The carrying amounts of the Company's assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

2.18 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.

2.19 Foreign currencies

Transactions in foreign currencies are translated into Pak Rupees which is the Company's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the balance sheet date.

Exchange gains and losses are included in profit and loss account.

2.20 Revenue recognition

- Sales are recorded on despatch of goods to customers.
- Income on investments is recorded when the right to receive is established.
- Income / profit on bank treasury call and deposit accounts is recorded on accrual basis.
- Storage income is recorded on accrual basis.

2.21 Segment reporting

Segment reporting is based on operating (business) segments of the Company. These business segments are engaged in providing product or services which are subject to risks and rewards that are different from the risks and rewards of other segments.

2.22 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

2.23 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset or settle the liability simultaneously.

2.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the unconsolidated financial statements in the period in which these are approved.

2.25 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

	Note	2017	2016
		(Rupees in thousands)	

3. Fixed Assets

Property, plant and equipment:

	Note	2017	2016
Operating fixed assets	3.1	2,508,472	1,520,365
Capital work-in-progress	3.4	180,788	592,155
Major stores and spare parts	3.5	2,910	49,365
		2,692,170	2,161,885

3.1 Operating fixed assets for 2017:

	Cost as at Oct. 1, 2016	Additions / (deletions)	Cost as at Sept. 30, 2017	Accumulated depreciation / amortization as at Oct. 1, 2016	Depreciation / amortization charge for the year & accumulated depreciation on deletions	Accumulated depreciation / amortization as at Sept. 30, 2017	Written down value as at Sept. 30, 2017	Annual rate of depreciation / amortization %
	(Rupees in thousands)							
Land								
Freehold - Sugar / Distillery division	106,549	35,568	142,117	–	–	–	142,117	–
Leasehold - Textile division	489	–	489	236	5	241	248	1.01
Buildings on freehold land								
Sugar division	84,543	30,600	115,143	63,735	3,822	67,557	47,586	10
Distillery division	21,243	–	21,243	17,241	400	17,641	3,602	10
Non-factory buildings	30,228	–	30,228	23,030	360	23,390	6,838	5
Buildings on leasehold land								
Textile division	19,335	–	19,335	16,553	278	16,831	2,504	10
Plant and machinery								
Sugar division	1,516,569	1,019,292	2,419,210	842,814	107,092	841,734	1,577,476	10
		(116,651)			(108,172)			
Distillery division - Note 3.1.1	1,136,259	97,459	1,233,538	523,878	66,009	589,714	643,824	10
		(180)			(173)			
Textile division	130,703	–	130,703	74,076	5,663	79,739	50,964	10
Railway siding - Sugar division	468	–	468	464	1	465	3	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	8,267	54	8,321	487	10
Textile division	3,601	–	3,601	2,878	72	2,950	651	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	67,223	6,112	70,031	53,060	4,561	54,478	15,553	25
		(3,304)			(3,143)			
Textile division	9,668	77	9,745	9,134	137	9,271	474	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,704	12	2,716	49	20
Motor cars / vehicles								
Sugar / Distillery division	31,484	183	31,505	11,583	4,003	15,475	16,030	20
		(162)			(111)			
Textile division	764	–	764	681	17	698	66	20
Total	3,170,699	1,189,291	4,239,693	1,650,334	192,486	1,731,221	2,508,472	
		(120,297)			(111,599)			

3.1.1 Plant and machinery of distillery division include storage tanks of the CO_2 unit having written down value of Rs. 17.05 (2016: Rs. 18.94) million installed at customers' premises for storage of Liquidified Carbon dioxide.

3.1.2 Reconciliation of carrying values for 2017

□ □ □ □ □ □

	Written down value as at Oct. 1, 2016	Additions / (deletions)	Depreciation / amortization charge for the year & accumlated depreciation on deletions	Written down value as at Sept. 30, 2017
	(Rupees in thousands)			
Land	106,802	35,568	5	142,365
Buildings on freehold land	32,008	30,600	4,582	58,026
Buildings on leasehold land	2,782	–	278	2,504
Plant and machinery	1,342,763	1,116,751	178,764	2,272,264
		(116,831)	(108,345)	
Railway siding	4	–	1	3
Electric, gas and water installations	1,264	–	126	1,138
Furniture, fittings, electrical and office equipment	14,697	6,189	4,698	16,027
		(3,304)	(3,143)	
Tractors / trolleys and agriculture implements	61	–	12	49
Motor cars / vehicles	19,984	183	4,020	16,096
		(162)	(111)	
	1,520,365	1,189,291	192,486	2,508,472
		(120,297)	(111,599)	

3.1.3 Operating fixed assets for 2016:

	Cost as at Oct. 1, 2015	Additions / (deletions)	Cost as at Sept. 30, 2016	Accumulated depreciation / amortization as at Oct. 1, 2015	Depreciation / amortization charge for the year & accumulated depreciation on deletions	Accumulated depreciation / amortization as at Sept. 30, 2016	Written down value as at Sept. 30, 2016	Annual rate of depreciation / amortization %
				(Rupees in thousands)				
Land								
Freehold - Sugar / Distillery division	106,549	–	106,549	–	–	–	106,549	–
Leasehold - Textile division	489	–	489	231	5	236	253	1.01
Buildings on freehold land								
Sugar division	84,543	–	84,543	61,423	2,312	63,735	20,808	10
Distillery division	21,243	–	21,243	16,796	445	17,241	4,002	10
Non-factory buildings	30,228	–	30,228	22,651	379	23,030	7,198	5
Buildings on leasehold land								
Textile division	19,335	–	19,335	16,244	309	16,553	2,782	10
Plant and machinery								
Sugar division	1,221,680	294,889	1,516,569	777,124	65,690	842,814	673,755	10
Distillery division - Note 3.1.1	1,107,443	28,816	1,136,259	456,586	67,292	523,878	612,381	10
Textile division	129,739	964	130,703	67,794	6,282	74,076	56,627	10
Railway siding - Sugar division	468	–	468	463	1	464	4	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	8,207	60	8,267	541	10
Textile division	3,601	–	3,601	2,798	80	2,878	723	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	60,771	6,475 (23)	67,223	49,343	3,737 (20)	53,060	14,163	25
Textile division	9,604	64	9,668	8,967	167	9,134	534	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,689	15	2,704	61	20
Motor cars / vehicles								
Sugar / Distillery division	31,197	357 (70)	31,484	6,701	4,928 (46)	11,583	19,901	20
Textile division	764	–	764	660	21	681	83	20
Total	2,839,227	331,565 (93)	3,170,699	1,498,677	151,723 (66)	1,650,334	1,520,365	

3.1.4 Reconciliation of carrying values for 2016

	Written down value as at Oct. 1, 2015	Additions / (deletions)	Depreciation / amortization charge for the year & accumlated depreciation on deletions	Written down value as at Sept. 30, 2016
	(Rupees in thousands)			
Land	106,807	–	5	106,802
Buildings on freehold land	35,144	–	3,136	32,008
Buildings on leasehold land	3,091	–	309	2,782
Plant and machinery	1,157,358	324,669	139,264	1,342,763
Railway siding	5	–	1	4
Electric, gas and water installations	1,404	–	140	1,264
Furniture, fittings, electrical and office equipment	12,065	6,539	3,904	14,697
		(23)	(20)	
Tractors / trolleys and agriculture implements	76	–	15	61
Motor cars / vehicles	24,600	357	4,949	19,984
		(70)	(46)	
	1,340,550	331,565	151,723	1,520,365
		(93)	(66)	

	Note	2017	2016
		(Rupees in thousands)	
3.2 Allocation of depreciation / amortization charge for the year:			
Cost of Sales			
Sugar division	19	113,522	70,238
Distillery division	19	70,466	72,785
Textile division	19	6,018	6,675
		190,006	149,698
Administrative expenses			
Sugar division	21	1,817	1,554
Distillery division	21	156	133
Textile division	21	154	188
Terminal	18.1	353	150
		2,480	2,025
		192,486	151,723

3.3 Details of fixed assets disposed off:

	Cost	Accumulated depreciation	written down value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
			(Rupees in thousands)				
Plant and Machinery							
Sugar division	116,651	108,172	8,479	9,145	666	Negotiation	Syed Azam Hussain Shah, Mohalla Garibabad, Nawabshah
Distillery division	180	173	7	63	56	“	Mr. Jabbar, Resident of plot No. 21, Garden West, Karachi.
Furniture, fittings, electrical and office equipment							
Sugar division / Distillery division Funrniture & fittings	3,304	3,143	161	238	77	Negotiation	Various
Motor cars / vehicles							
Sugar division / Distillery division Items having carry value of less than Rs. 50,000 each	162	111	51	3,103	3,052	Tender	Various
2017	120,297	111,599	8,698	12,549	3,851		
2016	93	66	27	2,527	2,500		

	Note	2017	2016
		(Rupees in thousands)	
3.4 Capital work-in-progress			
Plant and machinery		169,868	366,338
Building		7,021	–
Machinery in transit		–	17,034
Advance to suppliers		3,899	208,783
	3.4.1	180,788	592,155
3.4.1 Movement in capital work-in-progress			
Balance at the beginning of the year		592,155	198,988
Cost incurred during the year		8,421	400,098
Transfer from Marjor stores and spare parts		727,563	317,738
		1,328,139	916,824
Transfer to operating fixed assets		(1,147,351)	(324,669)
Balance at the end of the year		180,788	592,155
3.5 Major stores and spare parts			
Stores		2,910	48,881
Spare parts		–	484
	3.5.1	2,910	49,365
3.5.1 Movement in major stores and spare parts			
Balance at the beginning of the year		49,365	3,442
Additions during the year		681,108	363,661
		730,473	367,103
Transfer to capital work-in-progress		(727,563)	(317,738)
Balance at the end of the year		2,910	49,365

4. Long-term investments

Number of shares 2017	Number of shares 2016	Face value Rs.	Company's Name	Note	2017 (Rupees in thousands)	2016 (Rupees in thousands)
4.1			**Investments in subsidiary company - at cost**			
10,000	–	10	HSM Energy Limited	4.3	100	–
4.2			**Available for Sale**			
4.2.1			**Investments in related parties - Qouted - at fair value**			
147,797	147,797	5	Balochistan Particle Board Limited		1,323	1,406
24,136,691	24,136,691	10	Bank AL Habib Limited		1,390,273	1,085,668
5,363,772	5,363,772	5	Habib Insurance Company Limited		79,813	89,843
					1,471,409	1,176,917
4.2.2			**Investments in related parties - Unqouted - at cost**			
1,249,999	1,249,999	10	UniEnergy Limited		12,500	12,500
4,600,000	–	10	Uni Food Industries Limited		46,000	–
					58,500	12,500
4.2.3			**Investments in other companies Qouted - at fair value**			
–	31,122	10	Adamjee Insurance Company Limited		–	1,700
–	51,400	10	Allied Bank Limited		–	5,046
40,000	–	10	Amreli Steels Limited		4,079	–
–	185,000	10	Bank Alfalah Limited		–	5,315
188,160	173,160	10	Cherat Cement Company Limited		22,575	22,278
31,078	56,178	10	Dawood Lawrencepur Limited		6,062	11,685
190,000	75,000	10	D.G. Khan Cement Company Limited		27,904	13,941
80,000	132,000	10	Engro Corporation Limited		24,247	38,445
12,500	12,500	10	Engro Food Limited		1,188	1,828
123,200	123,200	10	Engro Fertilizer		7,751	7,597
30,000	–	10	Engro Polymer & Chemical		1,002	–
90,600	45,500	10	Faran Sugar Mills Limited		7,164	13,056
–	50,000	10	Fauji Cement Company Limited		–	1,764
118,885	218,885	10	Fauji Fertilizer Company Limited		9,884	22,760
20,000	–	10	Fauji Food Limited		561	–
189,000	389,000	5	First Habib Modaraba		2,153	4,182
12,100	12,100	10	GlaxoSmithKline Pakistan Limited		2,226	2,612
3,630	–	10	GlaxoSmithKline Consumer Healthcare Pakistan Limited		1,011	–
400,000	412,337	10	Habib Metropolitan Bank Limited		13,380	12,473
297,513	272,513	10	Habib Bank Limited		53,778	60,174
13,350	–	10	Indus Motors Company Limited		22,973	–
101,000	206,000	10	International Industries Limited		29,310	27,765
10,000	–	10	International Steels Limited		1,211	–
12,815	11,650	10	Jubliee Life Insurance Co. Limited		8,971	6,175
–	20,000	10	Kot Addu Power Company Limited		–	1,674
1,410,000	–	10	K-Electric Limited		9,926	–
–	65,000	10	Lalpir Power Limited		–	1,441
33,000	40,000	10	Lucky Cement Limited		18,651	27,090
50,000	78,027	10	MCB Bank Limited		10,450	17,228
150,116	150,116	10	Mehran Sugar Mills Limited		21,081	27,028
450	11,950	10	Millat Tractors Limited		562	8,114
14,000	4,500	10	Mirpurkhas Sugar Mills Limited		1,988	2,456
–	40,000	10	Meezan Bank Limited		–	2,200
–	161,500	10	Nishat Chunian Power Limited		–	9,004
–	50,000	10	Nishat Power Limited		–	2,813
–	29,300	10	Nishat Mills Limited		–	4,128
20,000	20,000	10	Packages Limited		11,540	13,386
5,150	19,650	10	Pak Suzuki Motor Company Limited		2,357	11,376
–	46,500	10	Pakistan Oilfields Limited		–	18,660
–	12,000	10	Pakistan Petroleum Limited		–	1,964
6	67	10	Pakistan Tobacco Company Limited		9	75
6,243,098	6,243,098	5	Shabbir Tiles and Ceramics Limited		81,722	63,555
–	82,793	10	Sui Northern Gas Pipelines Limited		–	4,150
711,503	711,503	5	Thal Limited		392,109	288,621
384,000	359,000	10	The Hub Power Company Limited		42,935	42,782
48,322	48,322	10	TPL Direct Insurance Limited		894	816
43,246	43,246	10	TPL Trakker Limited		392	603
800,000	800,000	10	TPL Properites		8,400	8,240
19,725	11,000	10	The Searle Company Limited		7,967	9,021
77,000	57,000	10	United Bank Limited		14,643	11,330
					873,056	836,551
					2,403,065	2,025,968

4.3 HSM Energy Limited is a wholly owned subsidiary of the Company. The principal activity of the HSM Energy Limited will be to generate and sell electricity to the company and National Grid. Investment in subsidiary includes 1,500 shares in the name of nomine directors of the HSM Energy Limited.

4.4 The aggregate cost of the above investments, net of impairment, is Rs.642.13 (2016: Rs.572.28) million.

4.5 Unrealised gain of Rs.421.24 (2016: Unrealised gain Rs.266.08) million on the above investments, arising from change in the fair value of these long-term investments during the current year has been recognised directly in other comprehensive income.

	Note	2017	2016
		(Rupees in thousands)	
5. Long-term loans			
Secured - considered good			
Executives	5.1 & 5.2	4,636	572
Other Employees		8,900	9,876
	5.3	13,536	10,448
Receivable within next twelve months shown under current asset:			
Executives	9	(1,571)	(406)
Other Employees	9	(5,395)	(5,831)
		(6,966)	(6,237)
		6,570	4,211

5.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs.4.79 (2016: Rs.1.10) million. These are secured against property documents and retirements benefits. These loans are carried at cost due to practicality and materiality of amounts involved.

5.2 Movement of loan to executives during the year is as follows:

	2017	2016
	(Rupees in thousands)	
Balance at the beginning of the year	572	741
Disbursements	4,888	514
	5,460	1,255
Repayments	(824)	(683)
Balance at the end of the year	4,636	572

5.3 Long-term loans of Rs.13.54 (2016: Rs.10.45) million, include loans of Rs.0.17 (2016: Rs.0.42) million and Rs.3.76 (2016: Rs.4.78) million to executives and workers respectively which carry no interest. The balance amount of loan carries interest @ 7% (2016: 7%) per annum.

	Note	2017	2016
		(Rupees in thousands)	

6. Stores and spare parts

	Note	2017	2016
Stores		84,774	75,487
Provision for obsolescence and slow moving stores		(9,500)	(9,500)
		75,274	65,987
Spare parts		64,253	62,648
Provision for obsolescence and slow moving spare parts		(19,792)	(19,792)
		44,461	42,856
		119,735	108,843

7. Stock-in-trade

	Note	2017	2016
Raw materials			
Distillery division		242,834	162,182
Textile division		8,572	3,337
		251,406	165,519
Work-in-process			
Sugar division		1,390	2,368
Textile division		31,588	27,949
		32,978	30,317
Finished goods			
Sugar division		1,102,539	67,427
Distillery division		267,710	128,690
Textile division		97	352
Trading division		2,980	3,924
		1,373,326	200,393
Bagasse stock		12,714	–
Fertilizers		3,188	5,618
		1,673,612	401,847

8. Trade debts

	Note	2017	2016
Considered good			
Export – Secured against export documents		117,711	38,588
Local – Unsecured		136,669	25,580
	8.1	254,380	64,168

	Note	2017	2016
		(Rupees in thousands)	

8.1 The aging of trade debts at September 30, is as follows :

Neither past due nor impaired		250,265	64,168
Past due but not impaired:			
within 90 days		2,420	–
91 to 180 days		1,695	–
		254,380	64,168

9. Loans and advances - considered good

	Note	2017	2016
Loans - secured			
Current maturity of long-term loans			
Executives	5	1,571	406
Other Employees	5	5,395	5,831
		6,966	6,237
Advances - unsecured			
Suppliers		796,466	240,049
		803,432	246,286

10. Trade deposits and short-term prepayments

Trade deposits		751	1,418
Short-term prepayments		8,998	7,363
		9,749	8,781

11. Other receivables

	Note	2017	2016
Considered good			
Duty drawback and research & development support claim		17,112	9,140
Dividend receivable		3,336	8,973
Sales tax refundable / adjustable		115,686	–
Others	11.1	15,685	3,682
		151,819	21,795

11.1 Includes Rs. 15.38 (2016: Rs.Nil) million from HSM Energy Limited - wholly owned subsidiary.

12. Cash and bank balances

	Note	2017	2016
Cash in hand		273	222
Balances with banks in:			
Current accounts		19,482	4,600
Treasury call accounts	12.1	169,451	125,454
Term Deposit Receipts	12.2	735,000	3,445,000
	12.3	923,933	3,575,054
		924,206	3,575,276

12.1 Profit rates on Treasury call accounts ranged between 3.75% to 5.50% (2016: 4.00% to 5.50%) per annum.

12.2 Profit rates on Term Deposit Receipts ranged between 5.80% to 6.05% (2016: 5.98% to 7.20%) per annum.

Maturity of these Term Deposit Receipts are one month.

12.3 Includes Rs. 895.90 (2016: Rs.2,648.03) million kept with Bank AL Habib Limited - a related party.

			2017	2016
			(Rupees in thousands)	

13. Issued, subscribed and paid-up capital

2017	2016		2017	2016
Number of shares			(Rupees in thousands)	
10,136,700	10,136,700	Ordinary shares of Rs. 5 each fully paid in cash	50,684	50,684
139,863,300	139,863,300	Ordinary shares of Rs. 5 each issued as bonus shares	699,316	699,316
150,000,000	150,000,000		750,000	750,000

13.1 Issued, subscribed and paid-up capital of the Company includes 23,764,498 Ordinary shares of Rs. 5 each (2016: 23,844,498) held by related parties at the end of the year.

14. Reserves

	Note	2017	2016
		(Rupees in thousands)	
Capital			
Share premium		34,000	34,000
Revenue			
General	14.1	3,878,500	3,466,000
Unappropriated profit		559,895	827,753
Unrealised gain on investments - available for sale		1,760,940	1,453,684
		6,199,335	5,747,437
		6,233,335	5,781,437

		2017	2016
14.1	At the beginning of the year	3,466,000	3,026,000
	Transferred from unappropriated profit	412,500	440,000
		3,878,500	3,466,000

15. Deferred taxation

	2017	2016
Deferred tax liability on accelerated tax depreciation allowance on operating fixed assets taxable temporary differences:	203,000	111,500
Deferred tax asset on deductible temporary difference:		
Proivision for absolescence and slow moving stores & spare parts	(7,000)	(7,500)
Unabsorbed tax depreciation allowance	(92,000)	–
Unadjusted tax credit on investment	(5,500)	–
	(104,500)	(7,500)
	98,500	104,000

16. Trade and other payables

	Note	2017	2016
Creditors		1,043,251	1,283,452
Accrued liabilities		201,888	180,255
Sales-tax / Federal excise duty		–	42,922
Workers' Profit Participation Fund (WPPF)	16.1	26,474	51,983
Workers' Welfare Fund		37,141	31,561
Income-tax deducted at source		617	230
Unclaimed dividends		59,483	50,993
		1,368,854	1,641,396

	Note	2017	2016
		(Rupees in thousands)	
16.1 Workers' Profit Participation Fund (WPPF)			
Balance at the beginning of the year		51,983	51,846
Interest on funds utilized in the Company's business		1,094	1,132
		53,077	52,978
Amount paid to the WPPF		(53,077)	(52,978)
		–	–
Allocation for the year	22	26,474	51,983
Balance at the end of the year		26,474	51,983

17. Contingencies and commitments

17.1 On May 22, 2015 the Government of Pakistan promulgated Gas Infrastructure Development (GID) Cess Act, 2015 and levied GID Cess on gas bills at the rate of Rs.100 / MMBTU on all industrial consumers. The GID Cess Act, 2015 was made applicable with immediate effect superseding the GID Cess Act, 2011 and GID Cess Ordinance, 2014.

The Company challenged the vires of GID Cess Act, 2015 before the Honourable High Court of Sindh. On July 24, 2015 the Honourable High Court of Sindh passed an order restraining the SSGC from demanding and collecting GID Cess as levied by the GID Cess Act, 2015. On October 26, 2016, the case was decided by the Honourable High Court of Sindh in favour of the Company. The Government has filed an appeal before the Honourable High Court of Sindh, where the Company was not made party to such litigation. Currently, GID Cess is not being charged to the Company by SSGC.

The Financial exposure of the Company upto September 30, 2017 is Rs.35.82 (2016: 22.75) million. However, in view of the advice of legal counsel no provision has been made in these financial statements.

17.2 The Government of Sindh vide notification dated July 8, 2014 levied a fee of Rs.0.50 / litre for storage of rectified spirit in bonded warehouse at Terminal Kaemari, Karachi. The Company disputed the above levy and filed constitutional petition before the Honourable High Court of Sindh, challenging the above fee. On July 23, 2014, the Honourable High Court of Sindh granted stay and suspended the operation of the above notification. The case was lastly fixed for hearing on March 20, 2015 and was not taken up for hearing. The financial exposure as at September 30, 2017 is Rs.65.71 million. In view of the advice of legal counsel, the Company is confident of a favourable outcome of the case and accordingly no provision has been made in these unconsolidated financial statements.

17.3 Pursuant to the decision of ECC on January 10, 2013, the FBR vide its SRO No. 77(1)/2013 dated February 7, 2013, allowed benefit to sugar exporters by reducing FED rate from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Company availed the benefit and claimed Rs.56.56 million on account of reduced rate of FED.

Against the aforementioned claim, FBR disallowed an amount of Rs.7.0 million and also levied default surcharge of Rs.0.3 million. The disallowances was on the basis that the benefit of claim accrues and arises from February 7, 2013, the date of SRO No: 77(1) /2013 and not from January 10, 2013, the date of ECC meeting wherein the benefit was approved by ECC. The Company maintains that the sugar mills are entitled to avail the benefit of reduced rate of FED on sugar exported against the export quota allotted by ECC in its meeting held on January 10, 2013. Accordingly, the Company filed a suit before Honourable High Court of Sindh and the operations of the said order were suspended by the Honourable Court vide its order dated April 23, 2014. The case was lastly fixed for hearing on December 4, 2014 and was adjourned as date in office. In view of the advice of legal counsel, the company is confident of a favourable outcome and accordingly no provision has been made in these unconsolidated financial statements.

17.4 During the year 2009-10 the Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority - PSQCA challenging the notifications issued in respect of registration of the Standard Mark for refined sugar manufactured and sold by the Company and levy of marking fee at the rate of 0.1% of ex-factory price of sugar sold with effect from January 1, 2009.

On December 4, 2012 the Honourable High Court of Sindh decided the case in favour of the Company. Against the above order, PSQCA filed an appeal before the Honourable Supreme Court of Pakistan. On November 25, 2013 the Honourable Supreme Court of Pakistan passed an interim order against PSQCA restraining them from demanding any registration of standard marks / licensing fee from the sugar mills till further order and the case was adjourned to date in office.

According to the advice of legal counsel, the demand raised is without any lawful authority and is in violation of the Constitution, hence, no provision is made in this regard.

17.5 The Company has provided counter guarantees to Bank AL Habib Limited, a related party, amounting to Rs. 250.00 (2016: Rs. 250.00) million against agriculture finance facilities to the growers supplying sugarcane to the mills and counter guarantees to other banks amounting to Rs.1,691.76 (2016: 382.18) million against guarantees issued by banks in favour of third parties on behalf of the Company. These guarantees are secured by way of registered charge against hypothecation of stores and spares, stock-in-trade, assignment of trade debts and other receivables.

17.6 Commitments for capital expenditure amounting to Rs.65.20 (2016: 330.726) million.

17.7 Rentals under operating lease agreements in respect of vehicles, payable over the following next four years, are as follows:

	2017	2016
	(Rupees in thousands)	
Year ending September 30		
2017	–	11,895
2018	13,709	9,243
2019	10,306	5,840
2020	6,461	1,995
2021	2,177	–
	32,653	28,973

18. Segment operating results and related information

(Rupees in thousands)

	Note	Sugar Division 2017	Sugar Division 2016	Distillery Division 2017	Distillery Division 2016	Textile Division 2017	Textile Division 2016	Trading Division 2017	Trading Division 2016	Total 2017	Total 2016
Net sales and services											
Local sales		3,581,722	5,629,481	565,210	523,535	4,176	3,560	655,910	622,462	4,807,018	6,779,038
Less: Sales tax / Federal excise duty		276,988	409,748	80,293	73,242	273	233	67,100	46,108	424,654	529,331
		3,304,734	5,219,733	484,917	450,293	3,903	3,327	588,810	576,354	4,382,364	6,249,707
Export sales		296,563	–	1,985,933	2,011,986	268,399	296,141	256,481	–	2,807,376	2,308,127
Less: Export duty, freight and commission		–	–	3,094	25,679	14,814	15,484	38,554	–	56,462	41,163
		296,563	–	1,982,839	1,986,307	253,585	280,657	217,927	–	2,750,914	2,266,964
Net sales		3,601,297	5,219,733	2,467,756	2,436,600	257,488	283,984	806,737	576,354	7,133,278	8,516,671
Services											
Terminal Storage income - net	18.1	–	–	1,652	423	–	–	–	–	1,652	423
		3,601,297	5,219,733	2,469,408	2,437,023	257,488	283,984	806,737	576,354	7,134,930	8,517,094
Less: Cost of sales	19	3,521,210	4,736,414	1,982,261	1,983,220	243,449	257,926	797,870	522,150	6,544,790	7,499,710
Gross profit		80,087	483,319	487,147	453,803	14,039	26,058	8,867	54,204	590,140	1,017,384
Selling and distribution expenses	20	47,655	32,813	114,942	108,676	11,052	11,365	1,791	593	175,440	153,447
Administrative expenses	21	143,396	132,149	9,626	8,920	4,225	4,733	517	372	157,764	146,174
		191,051	164,962	124,568	117,596	15,277	16,098	2,308	965	333,204	299,621
Profit / (loss) before other operating expenses and other income		(110,964)	318,357	362,579	336,207	(1,238)	9,960	6,559	53,239	256,936	717,763
Other operating expenses	22									(32,054)	(54,350)
Other income	23									246,099	253,120
Operating profit										470,981	916,533

- Sugar division is engaged in manufacturing of refined sugar.
- Distillery division is engaged in manufacturing of ethanol, liquidified carbon dioxide (CO_2) and providing bulk storage facilities.
- Textile division is engaged in manufacturing of household textiles.
- Trading division is engaged in trading of commodities viz sugar / molasses as and when opportunity occurs.

(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
18.1 Services										
Terminal storage income - net	–	–	3,836	2,454	–	–	–	–	3,836	2,454
Less: Terminal expenses										
Salaries, wages and other benefits - note 18.2	–	–	793	893	–	–	–	–	793	893
Repairs and maintenance	–	–	321	266	–	–	–	–	321	266
Water, electricity and gas	–	–	141	130	–	–	–	–	141	130
Rent, rates and taxes	–	–	419	426	–	–	–	–	419	426
Depreciation - note 3.2	–	–	353	150	–	–	–	–	353	150
Travelling and vehicle running expenses	–	–	47	42	–	–	–	–	47	42
Insurance	–	–	12	37	–	–	–	–	12	37
Other expenses	–	–	98	87	–	–	–	–	98	87
	–	–	2,184	2,031	–	–	–	–	2,184	2,031
	–	–	1,652	423	–	–	–	–	1,652	423

18.2 Salaries, wages and other benefits include a sum of Rs. 0.06 (2016: Rs. 0.06) million in respect of staff retirement benefits.

18.3 Geographical Information of customers

	2017	2016
	(Rupees in thousands)	
Revenues from customers (Country wise)		
Pakistan	4,327,552	6,208,967
Korea	576,400	24,548
UAE	581,561	623,949
United kingdom	162,123	319,241
Malaysia	75,992	58,875
Singapore	19,802	20,369
Japan	–	316,392
Saudi Arabia	–	164,547
Switzerland	–	608,891
Malta	–	3,976
South Africa	84,245	84,628
Turkey	138,316	–
Taiwan	92,373	–
Thailand	10,709	–
Srilanka	16,704	–
India	32,884	–
Phliphine	215,499	–
Bangkok	18,825	–
Italy	67,757	–
Netherland	395,593	–
France	–	26,051
Myanmar	296,563	–
Holland	22,032	56,660
	7,134,930	8,517,094

The revenue information above is based on the location of customers

18.4 Of the Company's total revenue, one customer accounts for more than 10%.

(Rupees in thousands)

19. Cost of sales

	Sugar Division 2017	Sugar Division 2016	Distillery Division 2017	Distillery Division 2016	Textile Division 2017	Textile Division 2016	Trading Division 2017	Trading Division 2016	Total 2017	Total 2016
Opening stock of raw material	–	–	162,182	216,590	3,337	13,783	–	–	165,519	230,373
Purchases / Transfers	4,149,366	3,969,730	1,756,665	1,450,316	178,041	144,721	–	–	6,084,072	5,564,767
	4,149,366	3,969,730	1,918,847	1,666,906	181,378	158,504	–	–	6,249,591	5,795,140
Closing stock of raw material	–	–	(242,834)	(162,182)	(8,572)	(3,337)	–	–	(251,406)	(165,519)
Raw material consumed	4,149,366	3,969,730	1,676,013	1,504,724	172,806	155,167	–	–	5,998,185	5,629,621
Salaries, wages and other benefits - note 19.1	277,316	280,099	66,414	62,990	12,281	12,612	–	–	356,011	355,701
Research and development expenses	1,488	2,744	–	–	–	–	–	–	1,488	2,744
Process chemicals	42,076	43,261	39,646	45,740	–	–	–	–	81,722	89,001
Packing material	41,148	47,343	–	–	11,514	10,915	–	–	52,662	58,258
Dyeing, weaving and other charges	–	–	–	–	36,071	40,473	–	–	36,071	40,473
Stores and spare parts consumed	69,522	73,990	34,869	28,038	–	–	–	–	104,391	102,028
Rent, rates, taxes and lease rentals	7,115	12,953	7,660	6,839	1,132	780	–	–	15,907	20,572
Water, fuel and power	48,999	51,367	142,977	196,602	18,244	18,947	–	–	210,220	266,916
Repairs and maintenance	95,807	156,157	68,521	65,085	2,218	1,836	–	–	166,546	223,078
Legal and professional charges	1,680	2,146	–	–	–	–	–	–	1,680	2,146
Insurance	9,889	6,465	7,151	7,223	528	643	–	–	17,568	14,331
Postage, telephone and stationery	3,294	3,357	–	–	–	–	–	–	3,294	3,357
Depreciation / amortization - note 3.2	113,522	70,238	70,466	72,785	6,018	6,675	–	–	190,006	149,698
Other manufacturing expenses	20,412	27,708	7,564	6,434	166	215	–	–	28,142	34,357
Duty drawback / Rebate	–	–	–	–	(14,725)	(3,591)	–	–	(14,725)	(3,591)
Bagasse transferred to distillery division	(10,787)	(19,366)	–	–	–	–	–	–	(10,787)	(19,366)
Molasses transferred to distillery division	(315,503)	(247,534)	–	–	–	–	–	–	(315,503)	(247,534)
	405,978	510,928	445,268	491,736	73,447	89,505	–	–	924,693	1,092,169
Manufacturing cost	4,555,344	4,480,658	2,121,281	1,996,460	246,253	244,672	–	–	6,922,878	6,721,790
Opening stock of work-in-process	2,368	940	–	–	27,949	41,240	–	–	30,317	42,180
Closing stock of work-in-process	(1,390)	(2,368)	–	–	(31,588)	(27,949)	–	–	(32,978)	(30,317)
	978	(1,428)	–	–	(3,639)	13,291	–	–	(2,661)	11,863
Cost of goods manufactured	4,556,322	4,479,230	2,121,281	1,996,460	242,614	257,963	–	–	6,920,217	6,733,653
Opening stock of finished goods	67,427	324,611	128,690	115,450	352	315	3,924	3,924	200,393	444,300
Purchases	–	–	–	–	580	–	796,926	522,150	797,506	522,150
Closing stock of finished goods	(1,102,539)	(67,427)	(267,710)	(128,690)	(97)	(352)	(2,980)	(3,924)	(1,373,326)	(200,393)
	(1,035,112)	257,184	(139,020)	(13,240)	835	(37)	797,870	522,150	(375,427)	766,057
	3,521,210	4,736,414	1,982,261	1,983,220	243,449	257,926	797,870	522,150	6,544,790	7,499,710

19.1 Salaries, wages and other benefits include a sum of Rs. 9.2 (2016: Rs. 8.9) million in respect of staff retirement benefits.

(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
20. Selling and distribution expenses										
Salaries, wages and other benefits - note 20.1	7,215	7,096	3,059	3,132	4,209	4,897	–	–	14,483	15,125
Insurance	3,977	3,700	1,475	1,257	–	–	–	–	5,452	4,957
Rent, rates, taxes and lease rentals	986	1,129	1,111	959	–	–	–	–	2,097	2,088
Transport, freight, handling and forwarding expenses	35,477	20,888	106,715	100,787	4,040	4,884	1,791	593	148,023	127,152
Other expenses	–	–	2,582	2,541	2,803	1,584	–	–	5,385	4,125
	47,655	32,813	114,942	108,676	11,052	11,365	1,791	593	175,440	153,447

20.1 Salaries, wages and other benefits include a sum of Rs. 0.78 (2016: Rs. 0.74) million in respect of staff retirement benefits.

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
21. Administrative expenses										
Salaries, wages and other benefits - note 21.1	78,888	74,059	3,059	3,043	3,260	3,646	212	200	85,419	80,948
Insurance	1,460	1,541	134	86	–	–	–	–	1,594	1,627
Repairs and maintenance	1,899	1,451	611	586	161	165	–	–	2,671	2,202
Postage, telephone and stationery	4,115	3,266	503	394	100	136	–	–	4,718	3,796
Travelling and vehicle running expenses	14,771	14,281	303	328	–	–	–	–	15,074	14,609
Rent, rates, taxes and lease rentals	8,076	7,592	1,343	1,250	–	–	–	–	9,419	8,842
Water, electricity and gas	3,161	2,976	352	285	25	44	–	–	3,538	3,305
Fees, subscription and periodicals	2,355	2,005	19	20	22	25	–	–	2,396	2,050
Legal and professional charges	1,077	1,903	2,020	2,000	–	–	–	–	3,097	3,903
Directors' meeting fee	575	505	–	–	–	–	–	–	575	505
Depreciation - note 3.2	1,817	1,554	156	133	154	188	–	–	2,127	1,875
Auditors' remuneration - note 21.2	1,296	1,595	895	635	95	70	294	153	2,580	2,453
Other expenses - note 21.3	23,906	19,421	231	160	408	459	11	19	24,556	20,059
	143,396	132,149	9,626	8,920	4,225	4,733	517	372	157,764	146,174

21.1 Salaries, wages and other benefits include a sum of Rs. 3.20 (2016: Rs. 2.80) million in respect of staff retirement benefits.

21.2 Auditors' remuneration

	Sugar 2017	Sugar 2016	Distillery 2017	Distillery 2016	Textile 2017	Textile 2016	Trading 2017	Trading 2016	Total 2017	Total 2016
Statutory audit fee	770	780	530	365	55	40	175	85	1,530	1,270
Half yearly review fee	176	195	120	90	15	10	40	23	351	318
Cost audit fee	–	225	–	–	–	–	–	–	–	225
Tax / other services	265	280	185	130	20	15	60	34	530	459
Out of pocket expenses	85	115	60	50	5	5	19	11	169	181
	1,296	1,595	895	635	95	70	294	153	2,580	2,453

21.3 Sugar division's other expenses include donation of Rs.16.2 (2016: Rs. 13.0) million as per details below:

Name of Institution	2017	2016
	(Rupees in thousands)	
Al-Sayyeda Benevolent Trust	910	910
Habib Education Trust	840	840
Rehmat Bai Widows & Orphange Trust	500	500
Habib Medical Trust	840	840
Habib Poor Fund	910	910
Family Education Services Foundation	12,000	8,400
Markaz-e-Ummeed	200	600
	16,200	13,000

None of the Directors or their spouses had any interest in the above donee's fund, except for Habib Education Trust, Karachi, where Mr. Imran A. Habib, Director (resigned on July 4, 2017) of the Company was a Trustee.

21.4 Information on assets, liabilities and capital expenditure by segment is as follows:

(Rupees in thousands)

	Sugar Division		Distillery Division		Textile Division		Trading Division		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
21.4.1 Segment assets	3,445,550	1,520,520	1,420,128	995,795	297,035	278,915	365,915	193,467	5,528,628	2,988,697
Unallocated assets									3,613,981	5,635,374
									9,142,609	8,624,071
21.4.2 Segment liabilities	1,533,893	1,436,716	132,583	149,255	59,046	44,335	121,314	213,584	1,846,836	1,843,890
Unallocated liabilities									312,438	248,744
									2,159,274	2,092,634
21.4.3 Capital expenditure	599,081	735,096	132,388	34,531	–	1,028	–	–	731,469	770,655

	Note	2017	2016
		(Rupees in thousands)	

22. Other operating expenses

	Note	2017	2016
Workers' Profit Participation Fund	16.1	26,474	51,983
Workers' Welfare Fund	22.1	5,580	2,367
		32,054	54,350

22.1 Workers' Welfare Fund

Current year	5,580	16,715
Reversal of prior year - Financial Year 2014	–	(14,348)
	5,580	2,367

23. Other income

	Note	2017	2016
Income from financial assets			
Profit on redemption / sale of investments	23.1	113,981	111,615
Dividend income	23.2	120,629	125,290
		234,610	236,905
Income from non financial assets			
Gain on disposal of fixed assets		3,851	2,500
Agricultural income		2,245	5,747
Sale of Electricity		–	680
Scrap sale		3,241	5,254
Exchange gain - net		2,152	2,034
		11,489	16,215
		246,099	253,120

23.1 Profit on redemption of units includes profit of the following funds managed by Habib Asset Management Limited, a related party.

	2017	2016
	(Rupees in thousands)	
First Habib Income Fund	–	3,648
First Habib Islamic Income Fund	35	–
	35	3,648

23.2 Dividend income includes dividend received from the following related parties:

	Note	2017	2016
		(Rupees in thousands)	
Bank AL Habib Limited		84,478	84,478
Habib Insurance Company Limited		9,387	9,387
		93,865	93,865

24. Finance income - net

	Note	2017	2016
Profit on treasury call accounts	12.1	10,733	13,556
Profit on term deposits receipts	12.2	77,710	102,820
Interest on loan to employees		475	279
		88,918	116,655
Less: Mark-up / interest on:			
Short-term borrowings	24.1 & 24.2	(46,433)	(46,170)
Workers' Profit Participation Fund		(1,094)	(1,132)
Bank charges		(14,955)	(14,924)
		(62,482)	(62,226)
		26,436	54,429

24.1 The Financial facilities from various commercial banks amounted to Rs.5,313 (2016: Rs.5,313) million.

24.2 These facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up during the year was 2.25% to 7.54% (2016: 4.30% to 6.85%) per annum.

	Note	2017	2016
		(Rupees in thousands)	
25. Taxation			
Income tax - current		–	167,000
- prior years		(54,500)	(38,000)
		(54,500)	129,000
Deferred tax		(5,500)	17,000
	25.1	(60,000)	146,000

25.1 Reconciliation of tax (income) / charge for the year

	2017	2016
Accounting profit	497,417	970,962
Corporate tax rate	30%	31%
Tax on accounting profit at applicable rate	149,225	300,999
Tax effect of timing differences	3,839	(6,395)
Tax effect of lower tax rates on export and certain income	(132,065)	(64,721)
Tax effect of income exempt from tax	(673)	(1,782)
Tax effect of tax credit	(107,000)	(38,719)
Tax effect of expenses that are inadmissible in determining taxable income	81,174	(5,382)
Adjustment relating to prior years	(54,500)	(38,000)
	(209,225)	(154,999)
	(60,000)	146,000

25.2 The income tax return for the Tax year 2017 (financial year ended September 30, 2016) has been filed.

	2017	2016
	(Rupees in thousands)	

26. Earnings per share - Basic and diluted

	2017	2016
Profit after taxation	557,417	824,962
	Number of shares	
Number of ordinary shares of Rs. 5 each	150,000,000	150,000,000
Earnings per share - Basic and diluted (Rupees)	3.72	5.50

27. Cash (used in) / generated from operations

	2017	2016
Profit before taxation	497,417	970,962
Adjustment for non-cash charges and other items		
Depreciation / amortization	192,486	151,723
Gain on disposal of fixed assets	(3,851)	(2,500)
Profit on redemption / sale of investments	(113,981)	(111,615)
Finance income - net	(26,436)	(54,429)
Dividend income	(120,629)	(125,290)
	(72,411)	(142,111)
Working capital changes - note 27.1	(2,062,058)	691,357
	(1,637,052)	1,520,208

27.1 Working capital changes

	2017	2016
(Increase) / Decrease in current assets		
Stores and spare parts	(10,892)	4,740
Stock-in-trade	(1,271,765)	317,294
Trade debts	(190,212)	327,311
Loans and advances	(557,146)	17
Trade deposits and short-term prepayments	(968)	(1,166)
Other receivables	(135,661)	2,384
	(2,166,644)	650,580
Increase / (decrease) in current liabilities		
Trade and other payables	(281,307)	(18,193)
Advance from customers	385,893	58,970
	104,586	40,777
Net changes in working capital	(2,062,058)	691,357

28. Remuneration of Chief Executive, Directors and Executives

	2017				2016			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in thousands)							
Managerial remuneration	11,200	8,660	92,937	112,797	8,208	11,340	81,981	101,529
Perquisites								
Telephone	42	27	616	685	31	75	522	628
Bonus	–	–	9,818	9,818	–	–	13,704	13,704
Medical	252	178	3,036	3,466	18	302	3,286	3,606
Utilities	–	541	–	541	–	627	–	627
Entertainment	–	462	–	462	–	416	–	416
Retirement benefits	802	641	7,290	8,733	599	856	6,602	8,057
	12,296	10,509	113,697	136,502	8,856	13,616	106,095	128,567
Number of persons	1	2	52	55	1	2	47	50

28.1 Chief Executive, Directors and certain Executives are also provided with the Company maintained cars.

28.2 Aggregate amount charged in these unconsolidated financial statements in respect of directors' meeting fee paid to five Non-Executive Directors of Rs.0.57 (2016: Rs. 0.51) million for five Directors.

28.3 On August 5, 2017 Mr. Munawar Ali Habib was co-opted as Director in place of Mr. Imran A. Habib who has resigned on July 4, 2017. Accordingly, remuneration of Mr. Munawar Ali Habib is shown under the heads of Directors and Executives for the relevant periods.

29. Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk, equity price risk and capital risk. The Board of Directors reviews and decides policies for managing each of these risks which are summarised below.

29.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on loans, advances, deposits, trade debts, other receivables and bank balances and profit accrued thereon. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is as follows:

	2017	2016
	(Rupees in thousands)	
Long-term loans	6,570	4,211
Long-term deposits	4,028	3,928
Trade debts	254,380	64,168
Loans and advances	803,432	246,286
Trade deposits	751	1,418
Profit accrued on bank deposits	1,551	1,083
Other receivables	151,819	21,795
Bank balances	923,933	3,575,054
	2,146,464	3,917,943

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2017	2016
	(Rupees in thousands)	

29.1.1 Trade debts

	2017	2016
Customers with no defaults in the past one year	250,265	64,168
Customers with some defaults in past one year which have been fully recovered	4,115	–
Customers with default in past one year which have not yet been recovered	–	–
	254,380	64,168

29.1.2 Bank Balances

	2017	2016
A1+	922,270	3,573,671
A2	1,663	1,383
	923,933	3,575,054

29.2 Interest rate risk

This represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates.

At balance sheet date, the bank balances of Rs.904.45 (2016: Rs.3,570.45) million are subject to interest rate risk. Applicable interest rates have been indicated in Note 12 to these unconsolidated financial statements. Company's profit after tax for the year would have been Rs. 6.33 (2016: Rs.24.360) million higher / lower if interest rates have been 1% higher / lower while holding all other variables constant.

29.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Year ended September 30, 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
			(Rupees in thousands)			
Trade and other payables	–	409,376	959,478	–	–	1,368,854
Advance from customers	–	691,920	–	–	–	691,920
	–	1,101,296	959,478	–	–	2,060,774

Year ended September 30, 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
			(Rupees in thousands)			
Trade and other payables	–	520,358	1,121,038	–	–	1,641,396
Advance from customers	–	306,027	–	–	–	306,027
	–	826,385	1,121,038	–	–	1,947,423

29.4 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

		2017	2016
		(Respective Currency)	
Trade debts	$	1,095,175	292,404
"	£	16,361	34,442
Adavance from customers	$	170,595	361,191
"	£	–	8,619

The following significant exchange rates have been applied at the reporting dates:

		2017	2016
Exchange rates	buying $	105.37	104.61
	selling $	105.57	104.81
	buying £	141.35	135.64
	selling £	141.62	135.90

The foreign currency exposure is partly covered as the outstanding balance at the year end is determined in respective currency which is converted into rupees at the exchange rate prevailing at the balance sheet date.

Sensitivity analysis:

The following table demonstrates the sensitivity of the Company's profit before tax and the Company's equity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant.

	Change in Foreign Currency rate (%)	Effect on profit	Effect on equity
		(Rupees in thousands)	
September 30, 2017	+10	9,970	9,852
	-10	(9,970)	(9,852)
September 30, 2016	+10	(377)	(412)
	-10	377	412

29.5 Equity price risk

The Company's investments are susceptible to market price risk arising from uncertainties about future values of investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total investments. Reports on the investment portfolio are submitted to the Company's senior management on a regular basis. The Investment Committee of the Company reviews and approves policy decisions.

At the balance sheet date, the exposure to investments held as available for sale was Rs.2,402.97 (2016: Rs.2,025.97) million.

29.6 Capital risk management

The primary objective of the Company's capital management is to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The gearing ratio of the company is Nil (2016: Nil) and the company finances its investments portfolio through management of its working capital and equity with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

29.7 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation techniques:

Level 1: Quoted prices in active markets for identical assets.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets either directly or indirectly.

Level 3: inputs for the asset that are not based on observable market data.

	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousands)			
Long-term investments	2,356,965	–	46,100	2,403,065
	2,356,965	–	46,100	2,403,065

	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousands)			
Long-term investments	2,013,468	–	12,500	2,025,968
	2,013,468	–	12,500	2,025,968

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

30. Capacity and production

	2017			2016		
	Quantity		Working days	Quantity		Working days
30.1 Sugar division						
Crushing capacity	7,000	M.Tons Per Day		7,000	M. Tons Per Day	
Crushing based on actual working days	896,000	M. Tons	128	777,000	M. Tons	111
Actual crushing	865,530	M. Tons	128	821,801	M. Tons	111
Sucrose recovery	9.97	%		10.74	%	
Sugar production	86,316	M. Tons		88,271	M. Tons	

Crushing capacity enhanced to 11,000 M. Tons per day under BMR and trial run successfully completed during last week of crushing season 2016-17.

30.2 Distillery division

	2017			2016		
a) Ethanol						
Capacity	34,000	M. Tons	300	34,000	M. Tons	300
Actual production	33,687	M. Tons	344	31,817	M. Tons	347
b) Liquidified carbon dioxide (CO_2)						
Capacity	18,000	M. Tons	300	18,000	M. Tons	300
Actual production	11,069	M. Tons	277	10,104	M. Tons	267

c) During the year CO_2 plants operated below capacity due to lower demand.

30.3 Textile division

	2017			2016		
Capacity	560,000	Kgs.	300	560,000	Kgs.	300
Actual production	515,253	Kgs.	300	558,194	Kgs.	350

During the year, textile division operated at below capacity due to reduced sale volume.

31. Provident Fund related disclosure

The following information is based on un-audited financial statements of the Fund as at September 30:

	2017	2016
	(Rupees in thousands)	
Size of the fund - Total assets	298,223	326,051
Fair value of investments	278,358	304,172
Percentage of investments made	93.34	93.29

31.1 The cost of above investments amounted to Rs. 256.40 million (2016: Rs. 266.81 million).

31.2 The break-up of fair value of investments is as follows:

	2017	2016	2017	2016
	Percentage		(Rupees in thousands)	
National savings scheme	92.18	92.41	256,575	281,088
Bank deposits	7.78	7.55	21,662	22,955
Debt securities	0.04	0.04	121	129
	100.00	100.00	278,358	304,172

31.3 The investments out of provident fund have been made in accordance with the provision of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

32. Number of Employees

	2017	2016
Number of employees including contractual employees at September 30,	556	577
Average number of employees including contractual employees during the year	560	579

33. Transactions with related parties

Related parties comprise of subsidiary, associated entities, entities with common directorship, directors and key management personnel. Material transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

	2017	2016
	(Rupees in thousands)	
Insurance premium paid	28,499	18,839
Insurance claims	7,185	5,319
Profit on treasury call accounts / term deposits	83,034	98,085
Profit accrued on bank deposit	1,449	393
Purchases of investments	56,100	762,500
Sale proceeds of investments	10,035	753,648
Dividend received	93,865	93,865
Dividend paid	65,572	59,582
Bank charges	470	83

Transactions with related parties are carried out under normal commercial terms and conditions.

34. Dividend

The Board of Directors of the Company in their meeting held on December 28, 2017 have proposed a final cash dividend of Rs.1.75 per share (35%) for the year ended September 30, 2017. The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Company to be held on January 27, 2018.

The Finance Act, 2017 introduced tax on every public company at the rate of 7.5% of accounting income before tax. However, this tax shall not be applied in case of a public company which distributes profit equal to 40% of its after tax profits within six months from the end of the year.

Based on the fact the Board of Directors of the Company has proposed 35% dividend for the year ended September 30, 2017 which exceeds the above prescribed minimum dividend requirement, the Company believes that it would not eventually be liable to pay tax on its undistributed profits as of September 30, 2017.

35. General

35.1 Figures have been rounded off to the nearest thousand rupees.

35.2 These unconsolidated financial statements were authorised for issue on December 28, 2017 by the Board of Directors of the Company.

Amir Bashir Ahmed
Chief Financial Officer

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

AUDITORS' REPORT TO THE MEMBERS ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Habib Sugar Mills Limited (the Holding Company) and its subsidiary company as at 30 September, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position and its subsidiary company as at 30 September, 2017 and the results of their operations for the year then ended.

Chartered Accountants
Audit Engagement Partner: Khurram Jameel

Karachi: December 28, 2017

Consolidated Balance Sheet as at September 30, 2017

	Note	2017 (Rupees in thousands)
Assets		
Non-Current Assets		
Fixed assets		
Property, plant and equipment	3	2,707,501
Long-term investments	4	2,402,965
Long-term loans	5	6,570
Long-term deposits		4,028
		5,121,064
Current Assets		
Stores and spare parts	6	119,735
Stock-in-trade	7	1,673,612
Trade debts	8	254,380
Loans and advances	9	803,432
Trade deposits and short-term prepayments	10	9,749
Profit accrued on bank deposits		1,551
Other receivables	11	136,440
Taxation - net		98,292
Cash and bank balances	12	924,306
		4,021,497
Total Assets		9,142,561
Equity and Liabilities		
Share Capital and Reserves		
Share Capital		
Authorised		
150,000,000 Ordinary shares of Rs. 5 each		750,000
Issued, subscribed and paid-up capital	13	750,000
Reserves	14	6,233,237
		6,983,237
Non-Current Liabilities		
Deferred taxation	15	98,500
Current Liabilities		
Trade and other payables	16	1,368,904
Advance from customers		691,920
		2,060,824
Contingencies and Commitments	17	
Total Equity and Liabilities		9,142,561

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Amir Bashir Ahmed *Chief Financial Officer*	**Raeesul Hasan** Chief Executive	**Murtaza H. Habib** Director

Consolidated Profit and Loss Account
for the year ended September 30, 2017

	Note	2017 (Rupees in thousands)
Net sales and services	18	7,134,930
Cost of sales	19	6,544,790
Gross Profit		590,140
Selling and distribution expenses	20	(175,440)
Administrative expenses	21	(157,833)
Other operating expenses	22	(32,054)
Other income	23	246,099
		(119,228)
Operating Profit		470,912
Finance income - net	24	26,407
Profit before taxation		497,319
Taxation	25	60,000
Profit after taxation		557,319
Earnings per share - Basic and diluted (Rupees)	26	3.72

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Amir Bashir Ahmed	**Raeesul Hasan**	**Murtaza H. Habib**
Chief Financial Officer	Chief Executive	Director

Consolidated Statement of Comprehensive Income
for the year ended September 30, 2017

	2017
	(Rupees in thousands)
Profit for the year	557,319
Other comprehensive income :	
Items that will not be reclassified to profit or loss in subsequent period:	
Actuarial loss on defined benefit plan - net	(275)
	557,044
Items that will be reclassified subsequently to profit and loss in subsequent period:	
Net gain on investments - available for sale	
Unrealised gain on revaluation of investments during the year	421,237
Reclassification adjustments included in the profit and loss account for: Gain on sale of investments - net of tax	(113,981)
	307,256
Total comprehensive income for the year	864,300

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Consolidated Statement of Changes in Equity
for the year ended September 30, 2017

	Issued, subsc-ribed and paid-up Capital	Capital Reserve	Revenve Reserves: General Reserve	Revenve Reserves: Unappro-priated profit	Revenve Reserves: Unrealised gain on investments available for sale	Total Reserves	Total Equity
	(Rupees in thousands)						
Balance as on September 30, 2016	750,000	34,000	3,466,000	827,753	1,453,684	5,781,437	6,531,437
Cash dividend for the year ended September 30, 2016 @ 55%	–	–	–	(412,500)	–	(412,500)	(412,500)
Transfer to general reserve	–	–	412,500	(412,500)	–	–	–
Profit for the year	–	–	–	557,319	–	557,319	557,319
Other comprehensive income for the year	–	–	–	(275)	307,256	306,981	306,981
Total comprehensive income for the year ended September 30, 2017	–	–	–	557,044	307,256	864,300	864,300
Balance as on September 30, 2017	750,000	34,000	3,878,500	559,797	1,760,940	6,233,237	6,983,237

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Consolidated Cash Flow Statement
for the year ended September 30, 2017

	Note	2017
		(Rupees in thousands)
Cash flows from operating activities		
Cash used in operations	27	(1,621,692)
Finance income received - net		25,939
Income tax paid		(85,003)
Long-term loans		(2,359)
Long-term deposits		(100)
Net cash used in operating activities		(1,683,215)
Cash flows from investing activities		
Fixed capital expenditure		(746,800)
Redemption / sale proceeds of investments		207,170
Dividend received		126,266
Purchase of investments		(162,930)
Sale proceeds of fixed assets		12,549
Net cash used in investing activities		(563,745)
Cash flows from financing activities		
Dividend paid		(404,010)
Net cash used in financing activities		(404,010)
Net decrease in cash and cash equivalents		(2,650,970)
Cash and cash equivalents at the beginning of the year		3,575,276
Cash and cash equivalents at the end of the year	12	924,306

The annexed notes 1 to 35 form an integral part of these consolidated financial statements.

Amir Bashir Ahmed
Chief Financial Officer

Raeesul Hasan
Chief Executive

Murtaza H. Habib
Director

Notes to the Consolidated Financial Statements for the year ended September 30, 2017

1. Group and its operations

The Group consists of Habib Sugar Mills Limited (the Holding Company) and HSM Energy Limited - a wholly owned subsidiary Company (the Subsidiary Company). Brief profiles of Holding Company and its Subsidiary Company are as follows :

1.1. Holding Company

The Holding Company is a public limited Company incorporated in Pakistan, with its shares quoted on the Pakistan Stock Exchange Limited. The Holding Company is engaged in the manufacturing and marketing of refined sugar, molasses, ethanol, liquidified carbon dioxide (CO_2), household textiles, providing bulk storage facilities and trading of commodities. The registered office of the Holding Company is situated at Imperial Court, 3rd Floor, Dr. Ziauddin Ahmed Road, Karachi.

1.2. Subsidary Company

HSM Energy Limited is incorporated in Pakistan as a public unlisted company on May 16, 2017. The Principal activity of the Subsidiary Company is to generate electricity through bagasse based power plant and sell it to National Grid. The Company is in the process of obtaining generation license and upfront tariff from National Electric Power Regulatory Authority (NEPRA). The expected time for commissioning of the project is 24 months from the award of the upfront tariff. The registered office of the Subsidiary Company is situated at Imperial Court, 3rd Floor, Dr. Ziauddin Ahmed Road, Karachi.

2. Summary of significant accounting policies

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. During the year, the Companies Ordinance, 1984 (the 'Ordinance') has been repealed after the enactment of the Companies Act, 2017 (the 'Act'). However, Securities and Exchange Commission of Pakistan ('SECP') vide its Circular No. 23 of 2017 dated October 4, 2017 has relaxed the applicability of above circular for the companies whose financial year closes on or before December 31, 2017, shall prepare their financial statements in accordance with the provisions of the repealed Ordinance. Accordingly, approved accounting standards comprise of the International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. In case requirements differ, the provisions or directives under the repealed Ordinance shall prevail.

2.2 Basis of preparation

2.2.1 Accounting convention

These consolidated financial statements have been prepared under historical cost convention, except for :

- staff retirement benefit plan which is carried at present value of defined benefit obligation net of fair value of plan assets as prescribed in IAS 19 "Employees Benefits". and
- investments which have been recognised at fair value in accordance with the requirements of IAS-39 "Financial Instruments: Recognition and Measurement".

2.2.2 Basis of consolidation

Subsidiary

Subsidiary is an entity controlled by the Group over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than fifty percent of the voting rights. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiary is prepared for the same reporting period as for the Holding Company using consistent accounting policies and changes are made when necessary to align them with the policies adopted by the Holding Company.

The assets and liabilities of the subsidiary company have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in statement of profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.3 Significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgements which are significant to the consolidated financial statements:

a) Determining the residual values and useful lives of property, plant and equipment (Note 2.7.1);
b) Classification and valuation of investments (Note 2.8);
c) Impairment / adjustment of inventories to their net realizable value (Note 2.9 & 2.10);
d) Accounting for staff retirement benefits (Note 2.13);
e) Recognition of taxation and deferred tax (Note 2.16);
f) Contingencies and Commitments (Note 17).

2.4 Amended / revised standards that became effective

Following are the amended / revised standards that became effective as of October 1, 2016

IFRS 10 – Consolidated Financial Statements (Amendment)
IFRS 11 – Joint Arrangements (Amendments)
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendments)
IAS 16 – Property, Plant and Equipment (Amendments)
IAS 27 – Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 - Changes in methods of disposal
IFRS 7 - Disclosures - Servicing contracts
IFRS 7 - Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 - Discount rate : regional market issue

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the consolidated financial statements.

2.5 Amended / revised standards that are not yet effective

Following are the amended standards that have been issued and are mandatory for the accounting periods effective from the dates mentioned below against the respective standards :

		Effective date (accounting periods beginning on or after)
IFRS 2	– Share-based Payments (Amendments)	January 1, 2018
IFRS 4	– Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	January 1, 2018
IFRS 10	– Consolidated Financial Statements (Amendment)	Not yet finalized
IFRS 15	– Revenue from Contracts with Customers	January 1, 2018
IAS 7	– Statement of Cash Flows (Amendments)	January 1, 2017
IAS 12	– Income Taxes (Amendments)	January 1, 2017
IAS 40	– Investment Property (Amendments)	January 1, 2018

IFRIC 22	– Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	– Uncertainity Over Income Tax Treatments	January 1, 2019

The Group expects that the adoption of the above amended standards will not have any significant effect on the Group's consolidated financial statements in the period of initial application.

2.6 Standards issued by IASB but not yet notified by SECP

Following standards have been issued by International Accounting Standards Board (IASB) which are not yet notified by the SECP for the purpose of applicability in Pakistan:

	IASB Effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14 – Regulatory Deferral Accounts	January 1, 2016
IFRS 16 – Leases	January 1, 2019
IFRS 17– Insurance Contracts	January 1, 2021

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers which will be effective for annual periods beginning on or after January 1, 2018, however, early application is permitted. Subsequent to the year ended September 30, 2017, SECP vide S.R.O. 007(1) / 2017 dated October 4, 2017, has also notified the adoption of IFRS 15 for annual periods beginning on or after July 1, 2018.

According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. Currently, it is expected that the changes, if any, in the total amount of revenue to be recognized for a customer contract will be very limited. Besides, changes to the Statement of Financial Position are expected, e.g. separate line items for contract assets and contract liabilities are required, and qualitative disclosures are added. Hence, the Group does not expect significant impacts on its Consolidated Financial Statements.

2.7 Fixed assets

2.7.1 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortization / impairment (if any), except for freehold land.

Depreciation is charged to profit and loss account applying the reducing balance method. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month the asset is in use. Assets residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit is expected from its use. Gain or loss on disposal of assets is included in profit and loss account in the year the assets is derecognized.

2.7.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to the respective assets when available for intended use.

Significant borrowing costs related to acquisition, construction and commissioning of a qualifying asset are capitalized.

2.7.3 **Major stores and spare parts**

Major stores and spare parts qualify for recognition as property, plant and equipment when the Group expects to use these for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are issued for use.

Major stores and spare parts are valued at cost less accumulated impairment, if any.

2.8 **Investments - Available for sale**

Investments acquired with the intention to be held for over one year are classified as long-term investments. However, these can be sold earlier due to liquidity requirements. Short-term investments are those which are acquired for a short period.

Investments are classified as follows:

2.8.1 **Quoted**

Available for sale investments are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in other comprehensive income as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously taken to other comprehensive income is recognised in the profit and loss account of the year.

2.8.2 **Un-Quoted**

These investment are recorded at cost less accumulated impairment, if any.

2.9 **Stores and spare parts**

These are valued at the lower of moving average cost and net realisable value except for items in transit which are valued at cost. Provision is made for obsolescence and slow moving items.

2.10 **Stock-in-trade**

These are valued as follows :

Raw materials	At the lower of average cost and net realisable value
Work-in-process	At the lower of average cost and net realisable value
Finished goods	At the lower of average cost and net realisable value
Fertilizers	At the lower of cost on FIFO basis and net realisable value
Bagasse	At the lower of average cost and net realisable value

2.11 **Trade debts and other receivables**

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are carried at cost less estimates made for doubtful receivables.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

2.12 **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand, with banks on current, savings, treasury call and deposit accounts, net of short term borrowings under mark-up arrangements, if any.

2.13 **Staff retirement benefits**

2.13.1 **Staff gratuity**

The Group operates an approved defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Group. The scheme is funded and contributions to the fund are made in accordance with the recommendations of the actuary.

The latest actuarial valuation of the gratuity scheme was carried out as at September 30, 2017. The projected unit credit method, using the following significant assumptions, have been used for actuarial valuation.

Discount rate	8.00% per annum
Expected rate of increase in salaries	7.75% per annum

Based on the actuarial valuation of gratuity scheme as of September 30, 2017, the fair value of gratuity scheme assets and present value of liabilities were Rs.101.47 million and Rs.101.75 million respectively. The Group recognises the total actuarial gains and losses in the year in which they arise. The amounts recognised in balance sheet are as follows:

	2017 (Rupees in thousands)
Net Employee Defined Benefit Asset	
Present value of defined benefit obligation	101,748
Fair value of plan assets	(101,472)
Liability recognized in the balance sheet	276
Charge for the year	
Salaries, wages and amenities include the following in respect of employees' gratuity fund:	
Current service cost	3,641
Interest cost	7,389
Expected return on plan assets	(7,379)
	3,651
The movement in present value of defined benefit obligation is as follows:	
Present value of defined benefit obligation at the beginning of the year	101,745
Current service cost	3,641
Interest cost	7,389
Benefits paid	(11,390)
Actuarial gain	363
Present value of defined benefit obligation at the end of the year	101,748
The movement in fair value of plan assets is as follows:	
Fair value of plan assets at the beginning of the year	101,599
Expected return on assets	7,379
Contributions	3,796
Benefits paid	(11,390)
Actuarial gain	88
Fair value of plan assets at the end of the year	101,472
Actual return on plan assets	7,467
Plan assets comprise:	
Term deposit receipts	85,000
Defence saving certificates and Special saving certificates	–
Term Finance Certificates	263
Balance with Banks	15,844
Accrued interest	365
	101,472

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

As at September 30,	2017	2016	2015	2014	2013
			(Rupees in thousands)		
Present value of defined benefit Obligation	101,748	101,745	92,164	83,898	84,120
Fair value of plan assets	(101,472)	(101,599)	(92,336)	(83,638)	(84,229)
(Surplus) / Deficit	276	146	(172)	260	(109)
Experience adjustment on obligation	638	(4,292)	3,257	5,629	(764)
Experience adjustment on plan assets	88	(410)	(3,322)	(852)	(629)

Sensitivity analysis

Significant assumption for the determination of the defined obligation are discount rate and expected salary increase. The possible changes in defined obligation due to change of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant are as follows :

	(Rupees in thousand)
Discount rate +1%	97,276
Discount rate -1%	106,810
Long term salary increases +1%	106,418
Long term salary increases -1%	97,555

2.13.2 Provident fund

The Group operates a recognised provident fund scheme for all its permanent employees. Equal monthly contributions are made by the Group and the employees at the rate of 8.33% of basic salary plus applicable cost of living allowance.

2.14 Borrowings and their cost

Borrowings are recorded at the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction and commissioning of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.15 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

2.16 Taxation

2.16.1 Current
Holding Company

Provision for current taxation is computed in accordance with the provisions of the applicable income tax laws.

Subsidiary Company

The income of the subsidary company is exempt from income tax under clause 132 of the second schedule to the Income Tax Ordinance, 2001.

2.16.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the consolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

2.17 Impairment

The carrying amounts of the Group's assets are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.

2.19 Foreign currencies

Transactions in foreign currencies are translated into Pak Rupees which is the Gruop's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the balance sheet date.

Exchange gains and losses are included in profit and loss account.

2.20 Revenue recognition

- Sales are recorded on despatch of goods to customers.
- Income on investments is recorded when the right to receive is established.
- Income / profit on bank treasury call and deposit accounts is recorded on accrual basis.
- Storage income is recorded on accrual basis.

2.21 Segment reporting

Segment reporting is based on operating (business) segments of the Group. These business segments are engaged in providing product or services which are subject to risks and rewards that are different from the risks and rewards of other segments.

2.22 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Group loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

2.23 Offsetting

Financial assets and liabilities are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset or settle the liability simultaneously.

2.24 Dividend and appropriation to reserves

Dividend distribution to the Holding Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.25 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional and presentation currency.

	Note	2017 (Rupees in thousands)

3. Fixed Assets

Property, plant and equipment:

	Note	2017 (Rupees in thousands)
Operating fixed assets	3.1	2,508,472
Capital work-in-progress	3.4	196,119
Major stores and spare parts	3.5	2,910
		2,707,501

3.1 Operating fixed assets for 2017:

	Cost as at Oct. 1, 2016	Additions / (deletions)	Cost as at Sept. 30, 2017	Accum-ulated deprec-iation / amortization as at Oct. 1, 2016	Depre-ciation / amortization charge for the year & accum-lated deprec-iation on deletions	Accum-ulated deprec-iation / amortization as at Sept. 30, 2017	Written down value as at Sept. 30, 2017	Annual rate of deprec-iation / amortiz-ation %
				(Rupees in thousands)				
Land								
Freehold - Sugar / Distillery division	106,549	35,568	142,117	–	–	–	142,117	–
Leasehold - Textile division	489	–	489	236	5	241	248	1.01
Buildings on freehold land								
Sugar division	84,543	30,600	115,143	63,735	3,822	67,557	47,586	10
Distillery division	21,243	–	21,243	17,241	400	17,641	3,602	10
Non-factory buildings	30,228	–	30,228	23,030	360	23,390	6,838	5
Buildings on leasehold land								
Textile division	19,335	–	19,335	16,553	278	16,831	2,504	10
Plant and machinery								
Sugar division	1,516,569	1,019,292 (116,651)	2,419,210	842,814	107,092 (108,172)	841,734	1,577,476	10
Distillery division - Note 3.1.1	1,136,259	97,459 (180)	1,233,538	523,878	66,009 (173)	589,714	643,824	10
Textile division	130,703	–	130,703	74,076	5,663	79,739	50,964	10
Railway siding - Sugar division	468	–	468	464	1	465	3	10
Electric, gas and water installations								
Sugar / Distillery division	8,808	–	8,808	8,267	54	8,321	487	10
Textile division	3,601	–	3,601	2,878	72	2,950	651	10
Furniture, fittings, electrical and office equipment								
Sugar / Distillery division	67,223	6,112 (3,304)	70,031	53,060	4,561 (3,143)	54,478	15,553	25
Textile division	9,668	77	9,745	9,134	137	9,271	474	25
Tractors / trolleys and agriculture implements								
Sugar division	2,765	–	2,765	2,704	12	2,716	49	20
Motor cars / vehicles								
Sugar / Distillery division	31,484	183 (162)	31,505	11,583	4,003 (111)	15,475	16,030	20
Textile division	764	–	764	681	17	698	66	20
Total	3,170,699	1,189,291 (120,297)	4,239,693	1,650,334	192,486 (111,599)	1,731,221	2,508,472	

3.1.1 Plant and machinery of distillery division include storage tanks of the CO_2 unit having written down value of Rs. 17.05 million installed at customers' premises for storage of Liquidified Carbon dioxide.

3.1.2 Reconciliation of carrying values for 2017

	Written down value as at Oct. 1, 2016	Additions / (deletions)	Depreciation / amortization charge for the year & accumlated depreciation on deletions	Written down value as at Sept. 30, 2017
	(Rupees in thousands)			
Land	106,802	35,568	5	142,365
Buildings on freehold land	32,008	30,600	4,582	58,026
Buildings on leasehold land	2,782	–	278	2,504
Plant and machinery	1,342,763	1,116,751	178,764	2,272,264
		(116,831)	(108,345)	
Railway siding	4	–	1	3
Electric, gas and water installations	1,264	–	126	1,138
Furniture, fittings, electrical and office equipment	14,697	6,189	4,698	16,027
		(3,304)	(3,143)	
Tractors / trolleys and agriculture implements	61	–	12	49
Motor cars / vehicles	19,984	183	4,020	16,096
		(162)	(111)	
	1,520,365	1,189,291	192,486	2,508,472
		(120,297)	(111,599)	

	Note	2017 (Rupees in thousands)
3.2 Allocation of depreciation / amortization charge for the year:		
Cost of Sales		
Sugar division	19	113,522
Distillery division	19	70,466
Textile division	19	6,018
		190,006
Administrative expenses		
Sugar division	21	1,817
Distillery division	21	156
Textile division	21	154
Terminal	18.1	353
		2,480
		192,486

3.3 Details of fixed assets disposed off:

	Cost	Accumulated depreciation	written down value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchasers
	(Rupees in thousands)						
Plant and Machinery							
Sugar division	116,651	108,172	8,479	9,145	666	Negotiation	Syed Azam Hussain Shah, Mohalla Garibabad, Nawabshah
Distillery division	180	173	7	63	56	“	Mr. Jabbar, Resident of plot No. 21, Garden West, Karachi.
Furniture, fittings, electrical and office equipment							
Sugar division / Distillery division Funrniture & fittings	3,304	3,143	161	238	77	Negotiation	Various
Motor cars / vehicles							
Items having carry value of less than Rs. 50,000 each	162	111	51	3,103	3,052	Tender	Various
2017	120,297	111,599	8,698	12,549	3,851		

3.4 Capital work-in-progress

	Note	2017 (Rupees in thousands)
Plant and machinery		169,868
Building		7,021
Fees paid to gegulatory bodies / government departments		1,975
Consultancy, advisory fees and others		13,356
Advance to suppliers		3,899
	3.4.1	196,119

3.4.1 Movement in capital work-in-progress

Balance at the beginning of the year	592,155
Cost incurred during the year	23,752
Transfer from Marjor stores and spare parts	727,563
	1,343,470
Transfer to operating fixed assets	(1,147,351)
Balance at the end of the year	196,119

3.5 Major stores and spare parts

Stores		2,910
Spare parts		–
	3.5.1	2,910

3.5.1 Movement in major stores and spare parts

Balance at the beginning of the year	49,365
Additions during the year	681,108
	730,473
Transfer to capital work-in-progress	(727,563)
Balance at the end of the year	2,910

4. Long-term investments - Available for sale

Number of shares 2017	Face value Rs.	Company's Name	2017 (Rupees in thousands)
4.1 Investments in related parties - Qouted - at fair value			
147,797	5	Balochistan Particle Board Limited	1,323
24,136,691	10	Bank AL Habib Limited	1,390,273
5,363,772	5	Habib Insurance Company Limited	79,813
			1,471,409
4.2 Investments in related parties - Unqouted - at cost			
1,249,999	10	UniEnergy Limited	12,500
4,600,000	10	Uni Food Industries Limited	46,000
			58,500
4.3 Investments in other companies Qouted - at fair value			
40,000	10	Amreli Steels Limited	4,079
188,160	10	Cherat Cement Company Limited	22,575
31,078	10	Dawood Lawrencepur Limited	6,062
190,000	10	D.G. Khan Cement Company Limited	27,904
80,000	10	Engro Corporation Limited	24,247
12,500	10	Engro Food Limited	1,188
123,200	10	Engro Fertilizer	7,751
30,000	10	Engro Polymer & Chemical	1,002
90,600	10	Faran Sugar Mills Limited	7,164
118,885	10	Fauji Fertilizer Company Limited	9,884
20,000	10	Fauji Food Limited	561
189,000	5	First Habib Modaraba	2,153
12,100	10	GlaxoSmithKline Pakistan Limited	2,226
3,630	10	GlaxoSmithKline Consumer Healthcare Pakistan Limited	1,011
400,000	10	Habib Metropolitan Bank Limited	13,380
297,513	10	Habib Bank Limited	53,778
13,350	10	Indus Motors Company Limited	22,973
101,000	10	International Industries Limited	29,310
10,000	10	International Steels Limited	1,211
12,815	10	Jubliee Life Insurance Co. Limited	8,971
1,410,000	10	K-Electric Limited	9,926
33,000	10	Lucky Cement Limited	18,651
50,000	10	MCB Bank Limited	10,450
150,116	10	Mehran Sugar Mills Limited	21,081
450	10	Millat Tractors Limited	562
14,000	10	Mirpurkhas Sugar Mills Limited	1,988
20,000	10	Packages Limited	11,540
5,150	10	Pak Suzuki Motor Company Limited	2,357
6	10	Pakistan Tobacco Company Limited	9
6,243,098	5	Shabbir Tiles and Ceramics Limited	81,722
711,503	5	Thal Limited	392,109
384,000	10	The Hub Power Company Limited	42,935
48,322	10	TPL Direct Insurance Limited	894
43,246	10	TPL Trakker Limited	392
800,000	10	TPL Properites	8,400
19,725	10	The Searle Company Limited	7,967
77,000	10	United Bank Limited	14,643
			873,056
			2,402,965

4.4 The aggregate cost of the above investments, net of impairment, is Rs.642.03 million.

4.5 Unrealised gain of Rs.421.24 million on the above investments, arising from change in the fair value of these long-term investments during the current year has been recognised directly in other comprehensive income.

	Note	2017 (Rupees in thousands)
5. Long-term loans		
Secured - considered good		
Executives	5.1 & 5.2	4,636
Other Employees		8,900
	5.3	13,536
Receivable within next twelve months shown under current asset		
Executives	9	(1,571)
Other Employees	9	(5,395)
		(6,966)
		6,570

5.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs.4.79 million. These are secured against property documents and retirements benefits. These loans are carried at cost due to practicality and materiality of amounts involved.

5.2 Movement of loans to executives during the year is as follows:

	2017 (Rupees in thousands)
Balance at the beginning of the year	572
Disbursements	4,888
	5,460
Repayments	(824)
Balance at the end of the year	4,636

5.3 Long-term loans of Rs.13.54 million, include loans of Rs.0.17 million and Rs.3.76 million to executives and workers respectively which carry no interest. The balance amount of loan carries interest @ 7% per annum.

		Note	2017 (Rupees in thousands)
6.	**Stores and spare parts**		
	Stores		84,774
	Provision for obsolescence and slow moving stores		(9,500)
			75,274
	Spare parts		64,253
	Provision for obsolescence and slow moving spare parts		(19,792)
			44,461
			119,735
7.	**Stock-in-trade**		
	Raw materials		
	Distillery division		242,834
	Textile division		8,572
			251,406
	Work-in-process		
	Sugar division		1,390
	Textile division		31,588
			32,978
	Finished goods		
	Sugar division		1,102,539
	Distillery division		267,710
	Textile division		97
	Trading division		2,980
			1,373,326
	Bagasse stock		12,714
	Fertilizers		3,188
			1,673,612
8.	**Trade debts**		
	Considered good		
	Export – Secured against export documents		117,711
	Local – Unsecured		136,669
		8.1	254,380

	Note	2017 (Rupees in thousands)
8.1 The aging of trade debts at September 30, is as follows :		
Neither past due nor impaired		250,265
Past due but not impaired:		
within 90 days		2,420
91 to 180 days		1,695
		254,380
9. Loans and advances - considered good		
Loans - secured		
Current maturity of long-term loans		
Executives	5	1,571
Other Employees	5	5,395
		6,966
Advances - unsecured		
Suppliers		796,466
		803,432
10. Trade deposits and short-term prepayments		
Trade deposits		751
Short-term prepayments		8,998
		9,749
11. Other receivables - Considered good		
Duty drawback and research & development support claim		17,112
Dividend receivable		3,336
Sales tax refundable / adjustable		115,686
Others		306
		136,440
12. Cash and bank balances		
Cash in hand		273
Balances with banks in:		
Current accounts		19,582
Treasury call accounts	12.1	169,451
Term Deposit Receipts	12.2	735,000
	12.3	924,033
		924,306

12.1 Profit rates on Treasury call accounts ranged between 3.75% to 5.50% per annum.

12.2 Profit rates on Term Deposit Receipts ranged between 5.80% to 6.05% per annum.

Maturity of these Term Deposit Receipts are one month.

12.3 Includes Rs. 896.00 million kept with Bank AL Habib Limited - a related party.

13. Issued, subscribed and paid-up capital

2017 Number of shares		2017 (Rupees in thousands)
10,136,700	Ordinary shares of Rs. 5 each fully paid in cash	50,684
139,863,300	Ordinary shares of Rs. 5 each issued as bonus shares	699,316
150,000,000		750,000

13.1 Issued, subscribed and paid-up capital of the Group includes 23,764,498 Ordinary shares of Rs. 5 each held by related parties at the end of the year.

14. Reserves

	Note	2017 (Rupees in thousands)
Capital		
Share premium		34,000
Revenue		
General	14.1	3,878,500
Unappropriated profit		559,797
Unrealised gain on investments - available for sale		1,760,940
		6,199,237
		6,233,237

14.1

At the beginning of the year	3,466,000
Transferred from unappropriated profit	412,500
	3,878,500

15. Deferred taxation

Deferred tax liability on accelerated tax depreciation allowance on operating fixed assets taxable temporary differences:	203,000
Deferred tax asset on deductible temporary difference:	
Proivision for absolescence and slow moving stores & spare parts	(7,000)
Unabsorbed tax depreciation allowance	(92,000)
Unadjusted tax credit on invstment	(5,500)
	(104,500)
	98,500

16. Trade and other payables

	Note	
Creditors		1,043,251
Accrued liabilities		201,938
Workers' Profit Participation Fund (WPPF)	16.1	26,474
Workers' Welfare Fund		37,141
Income-tax deducted at source		617
Unclaimed dividends		59,483
		1,368,904

	Note	2017
		(Rupees in thousands)
16.1 Workers' Profit Participation Fund (WPPF)		
Balance at the beginning of the year		51,983
Interest on funds utilized in the Group's business		1,094
		53,077
Amount paid to the WPPF		(53,077)
		–
Allocation for the year	22	26,474
Balance at the end of the year		26,474

17. Contingencies and commitments

17.1 On May 22, 2015 the Government of Pakistan promulgated Gas Infrastructure Development (GID) Cess Act, 2015 and levied GID Cess on gas bills at the rate of Rs.100 / MMBTU on all industrial consumers. The GID Cess Act, 2015 was made applicable with immediate effect superseding the GID Cess Act, 2011 and GID Cess Ordinance, 2014.

The Holding Company challenged the vires of GID Cess Act, 2015 before the Honourable Hight Court of Sindh. On July 24, 2015 the Honourable High Court of Sindh passed an order restraining the SSGC from demanding and collecting GID Cess as levied by the GID Cess Act, 2015. On October 26, 2016, the case was decided by the Honourable High Court of Sindh in favour of the Holding Company. The Government has filed an appeal before the Honourable High Court of Sindh, where the Holding Company was not made party to such litigation. Currently, GID Cess is not being charged to the Holding Company by SSGC.

The Financial exposure of the Holding Company upto September 30, 2017 is Rs.35.82 million. However, in view of the advice of legal counsel no provision has been made in these consolidated financial statements.

17.2 The Government of Sindh vide notification dated July 8, 2014 levied a fee of Rs.0.50 / litre for storage of rectified spirit in bonded warehouse at Terminal Kaemari, Karachi. The Holding Company disputed the above levy and filed constitutional petition before the Honourable High Court of Sindh, challenging the above fee. On July 23, 2014, the Honourable High Court of Sindh granted stay and suspended the operation of the above notification. The case was lastly fixed for hearing on March 20, 2015 and was not taken up for hearing. The financial exposure as at September 30, 2017 is Rs.65.71 million. In view of the advice of legal counsel, the Holding Company is confident of a favourable outcome of the case and accordingly no provision has been made in these consolidated financial statements.

17.3 Pursuant to the decision of ECC on January 10, 2013, the FBR vide its SRO No. 77(1)/2013 dated February 7, 2013, allowed benefit to sugar exporters by reducing FED rate from 8.0% to 0.5% on local sales, equivalent to quantity exported by the mills. The Holding Company availed the benefit and claimed Rs.56.56 million on account of reduced rate of FED.

Against the aforementioned claim, FBR disallowed an amount of Rs.7.0 million and also levied default surcharge of Rs.0.3 million. The disallowances was on the basis that the benefit of claim accrues and arises from February 7, 2013, the date of SRO No: 77(1) /2013 and not from January 10, 2013, the date of ECC meeting wherein the benefit was approved by ECC. The Holding Company maintains that the sugar mills are entitled to avail the benefit of reduced rate of FED on sugar exported against the export quota allotted by ECC in its meeting held on January 10, 2013. Accordingly, the Holding Company filed a suit before Honourable High Court of Sindh and the operations of the said order were suspended by the Honourable Court vide its order dated April 23, 2014. The case was lastly fixed for hearing on December 4, 2014 and was adjourned as date in office. In view of the advice of legal counsel, the Holding Company is confident of a favourable outcome and accordingly no provision has been made in these consolidated financial statements.

17.4 During the year 2009-10 the Holding Company alongwith other sugar mills filed a Constitutional Petition before the Honourable High Court of Sindh against Pakistan Standards and Quality Control Authority - PSQCA challenging the notifications issued in respect of registration of the Standard Mark for refined sugar manufactured and sold by the Holding Company and levy of marking fee at the rate of 0.1% of ex-factory price of sugar sold with effect from January 1, 2009.

On December 4, 2012 the Honourable High Court of Sindh decided the case in favour of the Holding Company. Against the above order, PSQCA filed an appeal before the Honourable Supreme Court of Pakistan. On November 25, 2013 the Honourable Supreme Court of Pakistan passed an interim order against PSQCA restraining them from demanding any registration of standard marks / licensing fee from the sugar mills till further order and the case was adjourned to date in office.

According to the advice of legal counsel, the demand raised is without any lawful authority and is in violation of the Constitution, hence, no provision is made in this regard.

17.5 The Holding Company has provided counter guarantees to Bank AL Habib Limited, a related party, amounting to Rs. 250.00 million against agriculture finance facilities to the growers suppling sugarcane to the mills and counter guarantees to other banks amounting to Rs.1,691.76 million against guarantees issued by banks in favour of third parties on behalf of the Holding Company. These guarantees are secured by way of registered charge against hypothecation of stores and spares, stock-in-trade, assignment of trade debts and other receivables.

17.6 Commitments for capital expenditure amounting to Rs.65.20 million.

17.7 Rentals under operating lease agreements in respect of vehicles, payable over the following next four years, are as follows:

	2017 (Rupees in thousands)
Year ending September 30	
2017	–
2018	13,709
2019	10,306
2020	6,461
2021	2,177
	32,653

18. Segment operating results and related information

(Rupees in thousands)

	Note	Sugar Division	Distillery Division	Textile Division	Trading Division	Total
		(2017)				
Net sales and services						
Local sales		3,581,722	565,210	4,176	655,910	4,807,018
Less: Sales tax / Federal excise duty		276,988	80,293	273	67,100	424,654
		3,304,734	484,917	3,903	588,810	4,382,364
Export sales		296,563	1,985,933	268,399	256,481	2,807,376
Less: Export duty, freight and commission		–	3,094	14,814	38,554	56,462
		296,563	1,982,839	253,585	217,927	2,750,914
Net sales		3,601,297	2,467,756	257,488	806,737	7,133,278
Services						
Terminal Storage income - net	18.1	–	1,652	–	–	1,652
		3,601,297	2,469,408	257,488	806,737	7,134,930
Less: Cost of sales	19	3,521,210	1,982,261	243,449	797,870	6,544,790
Gross profit		80,087	487,147	14,039	8,867	590,140
Selling and distribution expenses	20	47,655	114,942	11,052	1,791	175,440
Administrative expenses - Holding Company	21	143,396	9,626	4,225	517	157,764
Administrative expenses - Subsidary	21	–	–	–	–	69
		143,396	9,626	4,225	517	157,833
Profit / (loss) before other operating expenses and other income		(110,964)	362,579	(1,238)	6,559	256,867
Other operating expenses	22					(32,054)
Other income	23					246,099
Operating profit						470,912

- Sugar division is engaged in manufacturing of refined sugar.
- Distillery division is engaged in manufacturing of ethanol, liquidified carbon dioxide (CO_2) and providing bulk storage facilities.
- Textile division is engaged in manufacturing of household textiles.
- Trading division is engaged in trading of commodities viz sugar / molasses as and when opportunity occurs.

(Rupees in thousands)

	Sugar Division	Distillery Division	Textile Division	Trading Division	Total
	(2017)				
18.1 Services					
Terminal storage income - net	–	3,836	–	–	3,836
Less: Terminal expenses					
Salaries, wages and other benefits - note 18.2	–	793	–	–	793
Repairs and maintenance	–	321	–	–	321
Water, electricity and gas	–	141	–	–	141
Rent, rates and taxes	–	419	–	–	419
Depreciation - note 3.2	–	353	–	–	353
Travelling and vehicle running expenses	–	47	–	–	47
Insurance	–	12	–	–	12
Other expenses	–	98	–	–	98
	–	2,184	–	–	2,184
	–	1,652	–	–	1,652

18.2 Salaries, wages and other benefits include a sum of Rs. 0.06 million in respect of staff retirement benefits.

18.3 Geographical Information of customers

Revenues from customers (Country wise)	2017 (Rupees in thousands)
Pakistan	4,327,552
Korea	576,400
UAE	581,561
United kingdom	162,123
Malaysia	75,992
Singapore	19,802
South Africa	84,245
Turkey	138,316
Taiwan	92,373
Thailand	10,709
Srilanka	16,704
India	32,884
Phliphine	215,499
Bangkok	18,825
Italy	67,757
Netherland	395,593
Myanmar	296,563
Holland	22,032
	7,134,930

The revenue information above is based on the location of customers

18.4 Of the Group’s total revenue, one customer accounts for more than 10%.

(Rupees in thousands)

	Sugar Division	Distillery Division	Textile Division	Trading Division	Total
	(2017)				
19. Cost of sales					
Opening stock of raw material	–	162,182	3,337	–	165,519
Purchases / Transfers	4,149,366	1,756,665	178,041	–	6,084,072
	4,149,366	1,918,847	181,378	–	6,249,591
Closing stock of raw material	–	(242,834)	(8,572)	–	(251,406)
Raw material consumed	4,149,366	1,676,013	172,806	–	5,998,185
Salaries, wages and other benefits - note 19.1	277,316	66,414	12,281	–	356,011
Research and development expenses	1,488	–	–	–	1,488
Process chemicals	42,076	39,646	–	–	81,722
Packing material	41,148	–	11,514	–	52,662
Dyeing, weaving and other charges	–	–	36,071	–	36,071
Stores and spare parts consumed	69,522	34,869	–	–	104,391
Rent, rates, taxes and lease rentals	7,115	7,660	1,132	–	15,907
Water, fuel and power	48,999	142,977	18,244	–	210,220
Repairs and maintenance	95,807	68,521	2,218	–	166,546
Legal and professional charges	1,680	–	–	–	1,680
Insurance	9,889	7,151	528	–	17,568
Postage, telephone and stationery	3,294	–	–	–	3,294
Depreciation / amortization - note 3.2	113,522	70,466	6,018	–	190,006
Other manufacturing expenses	20,412	7,564	166	–	28,142
Duty drawback / Rebate	–	–	(14,725)	–	(14,725)
Bagasse transferred to distillery division	(10,787)	–	–	–	(10,787)
Molasses transferred to distillery division	(315,503)	–	–	–	(315,503)
	405,978	445,268	73,447	–	924,693
Manufacturing cost	4,555,344	2,121,281	246,253	–	6,922,878
Opening stock of work-in-process	2,368	–	27,949	–	30,317
Closing stock of work-in-process	(1,390)	–	(31,588)	–	(32,978)
	978	–	(3,639)	–	(2,661)
Cost of goods manufactured	4,556,322	2,121,281	242,614	–	6,920,217
Opening stock of finished goods	67,427	128,690	352	3,924	200,393
Purchases	–	–	580	796,926	797,506
Closing stock of finished goods	(1,102,539)	(267,710)	(97)	(2,980)	(1,373,326)
	(1,035,112)	(139,020)	835	797,870	(375,427)
	3,521,210	1,982,261	243,449	797,870	6,544,790

19.1 Salaries, wages and other benefits include a sum of Rs. 9.2 million in respect of staff retirement benefits.

(Rupees in thousands)

20. Selling and distribution expenses

	Sugar Division	Distillery Division	Textile Division	Trading Division	Total
	(2017)				
Salaries, wages and other benefits - note 20.1	7,215	3,059	4,209	–	14,483
Insurance	3,977	1,475	–	–	5,452
Rent, rates, taxes and lease rentals	986	1,111	–	–	2,097
Transport, freight, handling and forwarding expenses	35,477	106,715	4,040	1,791	148,023
Other expenses	–	2,582	2,803	–	5,385
	47,655	114,942	11,052	1,791	175,440

20.1 Salaries, wages and other benefits include a sum of Rs. 0.78 million in respect of staff retirement benefits.

21. Administrative expenses

	Sugar Division	Distillery Division	Textile Division	Trading Division	Total
	(2017)				
Salaries, wages and other benefits - note 21.1	78,888	3,059	3,260	212	85,419
Insurance	1,460	134	–	–	1,594
Repairs and maintenance	1,899	611	161	–	2,671
Postage, telephone and stationery	4,115	503	100	–	4,718
Travelling and vehicle running expenses	14,771	303	–	–	15,074
Rent, rates, taxes and lease rentals	8,076	1,343	–	–	9,419
Water, electricity and gas	3,161	352	25	–	3,538
Fees, subscription and periodicals	2,355	19	22	–	2,396
Legal and professional charges	1,077	2,020	–	–	3,097
Directors' meeting fee	575	–	–	–	575
Depreciation - note 3.2	1,817	156	154	–	2,127
Auditors' remuneration - Holding Company (note 21.2)	1,296	895	95	294	2,580
Auditors' remuneration - Subsidiary Company (note 21.2)	–	–	–	–	50
	1,296	895	95	294	2,630
Other expenses - Holding Company (note 21.3)	23,906	231	408	11	24,556
Other expenses - Subsidiary Company	–	–	–	–	19
	23,906	231	408	11	24,575
	143,396	9,626	4,225	517	157,833

21.1 Salaries, wages and other benefits include a sum of Rs. 3.20 million in respect of staff retirement benefits.

21.2 Auditors' remuneration

	Sugar Division	Distillery Division	Textile Division	Trading Division	Total
	(2017)				
Statutory audit fee - Holding Company	770	530	55	175	1,530
Annual audit fee - Subsidiary	–	–	–	–	50
Half yearly review fee	176	120	15	40	351
Tax / other services	265	185	20	60	530
Out of pocket expenses	85	60	5	19	169
	1,296	895	95	294	2,630

21.3 Sugar division's other expenses include donation of Rs.16.2 million as per details below:

Name of Institution	2017 (Rupees in thousands)
Al-Sayyeda Benevolent Trust	910
Habib Education Trust	840
Rehmat Bai Widows & Orphange Trust	500
Habib Medical Trust	840
Habib Poor Fund	910
Family Education Services Foundation	12,000
Markaz-e-Ummeed	200
	16,200

None of the Directors or their spouses had any interest in the above donee's fund, except for Habib Education Trust, Karachi, where Mr. Imran A. Habib, Director (resigned on July 4, 2017) of the Holding Company was a Trustee.

21.4 Information on assets, liabilities and capital expenditure by segment is as follows:

(Rupees in thousands)

	Sugar Division	Distillery Division	Textile Division	Trading Division	Total
	(2017)				
21.4.1 Segment assets	3,445,502	1,420,128	297,035	365,915	5,528,580
Subsidiary Company					15,331
Unallocated assets					3,598,650
					9,142,561
21.4.2 Segment liabilities	1,533,893	132,583	59,046	121,314	1,846,836
Subsidiary Company					50
Unallocated liabilities					312,438
					2,159,324
21.4.3 Capital expenditure	599,081	132,388	–	–	731,469
Subsidiary Company					15,331
					746,800

	Note	2017 (Rupees in thousands)
22. Other operating expenses		
Workers' Profit Participation Fund	16.1	26,474
Workers' Welfare Fund		5,580
		32,054
23. Other income		
Income from financial assets		
Profit on redemption / sale of investments	23.1	113,981
Dividend income	23.2	120,629
		234,610
Income from non financial assets		
Gain on disposal of fixed assets		3,851
Agricultural income		2,245
Scrap sale		3,241
Exchange gain - net		2,152
		11,489
		246,099

23.1 Profit on redemption of units includes profit of the following funds managed by Habib Asset Management Limited, a related party.

	2017 (Rupees in thousands)
First Habib Islamic Income Fund	35
	35

23.2 Dividend income includes dividend received from the following related parties:

	2017 (Rupees in thousands)
Bank AL Habib Limited	84,478
Habib Insurance Company Limited	9,387
	93,865

	Note	2017
24. Finance income - net		
Profit on treasury call accounts	12.1	10,733
Profit on term deposit receipts	12.2	77,710
Interest on loan to employees		475
		88,918
Less:		
Mark-up / interest on:		
Short-term borrowings	24.1 & 24.2	(46,433)
Workers' Profit Participation Fund		(1,094)
Bank charges		(14,984)
		(62,511)
		26,407

24.1 The Financial facilities from various commercial banks amounted to Rs.5,313 million.

24.2 These facilities are secured by way of registered charge against hypothecation of stock-in-trade, stores and spares, assignment of trade debts and other receivables. The rate of mark-up during the year was 2.25% to 7.54% per annum.

	Note	2017 (Rupees in thousands)
25. Taxation		
Income tax - current		–
- prior years		(54,500)
		(54,500)
Deferred tax		(5,500)
	25.1	(60,000)

25.1 Reconciliation of tax (income) / charge for the year

Accounting profit	497,319
Corporate tax rate	30%
Tax on accounting profit at applicable rate	149,196
Tax effect of timing differences	3,839
Tax effect of lower tax rates on export and certain income	(132,065)
Tax effect of income exempt from tax	(643)
Tax effect of tax credit	(107,000)
Tax effect of expenses that are inadmissible in determining taxable income	81,173
Adjustment relating to prior years	(54,500)
	(209,196)
	(60,000)

25.2 The income tax return for the Tax year 2017 (financial year ended September 30, 2016) has been filed.

	2017 (Rupees in thousands)
26. Earnings per share - Basic and diluted	
Profit after taxation	557,319
	Number of shares
Number of ordinary shares of Rs. 5 each	150,000,000
Earnings per share - Basic and diluted (Rupees)	3.72
27. Cash used in operations	
Profit before taxation	497,319
Adjustment for non-cash charges and other items	
Depreciation / amortization	192,486
Gain on disposal of fixed assets	(3,851)
Profit on redemption / sale of investments	(113,981)
Finance income - net	(26,407)
Dividend income	(120,629)
	(72,382)
Working capital changes - note 27.1	(2,046,629)
	(1,621,692)
27.1 Working capital changes	
Increase in current assets	
Stores and spare parts	(10,892)
Stock-in-trade	(1,271,765)
Trade debts	(190,212)
Loans and advances	(557,146)
Trade deposits and short-term prepayments	(968)
Other receivables	(120,282)
	(2,151,265)
Increase in current liabilities	
Trade and other payables	(281,257)
Advance from customers	385,893
	104,636
Net changes in working capital	(2,046,629)

28. Remuneration of Chief Executive, Directors and Executives

	2017			
	Chief Executive	Directors	Executives	Total
	(Rupees in thousands)			
Managerial remuneration	11,200	8,660	92,937	112,797
Perquisites				
Telephone	42	27	616	685
Bonus	–	–	9,818	9,818
Medical	252	178	3,036	3,466
Utilities	–	541	–	541
Entertainment	–	462	–	462
Retirement benefits	802	641	7,290	8,733
	12,296	10,509	113,697	136,502
Number of persons	1	2	52	55

28.1 Chief Executive, Directors and certain Executives are also provided with the Group maintained cars.

28.2 Aggregate amount charged in these consolidated financial statements in respect of directors' meeting fee paid to five Non-Executive Directors of Rs.0.57 million.

28.3 On August 5, 2017 Mr. Munawar Ali Habib was co-opted as Director in place of Mr. Imran A. Habib who has resigned on July 4, 2017. Accordingly, remuneration of Mr. Munawar Ali Habib is shown under the heads of Directors and Executives for the relevant periods.

29. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk, equity price risk and capital risk. The Board of Directors of the group (the Board) reviews and decides policies for managing each of these risks which are summarised below.

29.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the credit worthiness of counter parties.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk on loans, advances, deposits, trade debts, other receivables and bank balances and profit accrued thereon. The Group seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is as follows:

	2017 (Rupees in thousands)
Long-term loans	6,570
Long-term deposits	4,028
Trade debts	254,380
Loans and advances	803,432
Trade deposits	751
Profit accrued on bank deposits	1,551
Other receivables	136,440
Bank balances	924,033
	2,131,185

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2017 (Rupees in thousands)
29.1.1 Trade debts	
Customers with no defaults in past one year	250,225
Customers with some defaults in past one year which have been fully recovered	4,155
Customers with default in past one year which have not yet been recovered	–
	254,380
29.1.2 Bank Balances	
A1+	922,370
A2	1,663
	924,033

29.2 Interest rate risk

This represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates.

At balance sheet date, the bank balances of Rs.904.55 million are subject to interest rate risk. Applicable interest rates have been indicated in Note 13 to these consolidated financial statements. Group's profit after tax for the year would have been Rs. 6.33 million higher / lower if interest rates have been 1% higher / lower while holding all other variables constant.

29.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

Year ended September 30, 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
			(Rupees in thousands)			
Trade and other payables	–	409,376	959,528	–	–	1,368,904
Advance from customers	–	691,920	–	–	–	691,920
	–	1,101,296	959,528	–	–	2,060,824

29.4 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Group's exposure to foreign currency risk is as follows:

		2017 (Respective Currency)
Trade debts	$	1,095,175
"	£	16,361
Trade and other payables	$	170,595
"	£	–

The following significant exchange rates have been applied at the reporting dates:

Exchange rates	buying	$	105.37
	selling	$	105.57
	buying	£	141.35
	selling	£	141.62

The foreign currency exposure is partly covered as the outstanding balance at the year end is determined in respective currency which is converted into rupees at the exchange rate prevailing at the balance sheet date.

Sensitivity analysis:

The following table demonstrates the sensitivity of the Group profit before tax and the Group equity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant.

	Change in Foreign Currency rate (%)	Effect on profit	Effect on equity
		(Rupees in thousands)	
September 30, 2017	+10	9,970	9,852
	-10	(9,970)	(9,852)

29.5 Equity price risk

The Group's investments are susceptible to market price risk arising from uncertainties about future values of investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total investments. Reports on the investment portfolio are submitted to the Group's senior management on a regular basis. The Investment Committee of the Group reviews and approves policy decisions.

At the balance sheet date, the exposure to investments held as available for sale was Rs.2,402.97 million.

29.6 Capital risk management

The primary objective of the Group capital management is to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The gearing ratio of the Group is Nil and the Group finances its investments portfolio through management of its working capital and equity with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

29.7 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The Group uses the following hierarchy for disclosure of the fair value of financial instruments by valuation techniques:

Level 1: Quoted prices in active markets for identical assets.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets either directly or indirectly.

Level 3: inputs for the asset that are not based on observable market data.

	2017			
	Level 1	Level 2 (Rupees in thousands)	Level 3	Total
Long-term investments	2,356,965	–	46,000	2,402,965
	2,356,965	–	46,000	2,402,965

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

30. Capacity and production

	2017		
	Quantity		Working days
30.1 Sugar division			
Crushing capacity	7,000	M.Tons Per Day	
Crushing based on actual working days	896,000	M. Tons	128
Actual crushing	865,530	M. Tons	128
Sucrose recovery	9.97	%	
Sugar production	86,316	M. Tons	

Crushing capacity enhanced to 11,000 M. Tons per day under BMR and trial run successfully completed during last week of crushing season 2016-17.

30.2 Distillery division

a) Ethanol

Capacity	34,000	M. Tons	300
Actual production	33,687	M. Tons	344

b) Liquidified carbon dioxide (CO_2)

Capacity	18,000	M. Tons	300
Actual production	11,069	M. Tons	277

c) During the year, CO_2 plants operated below capacity due to lower demand.

30.3 Textile division

Capacity	560,000	Kgs.	300
Actual production	515,253	Kgs.	300

During the year, textile division operated at below capacity due to reduced sale volume.

31. Provident Fund related disclosure

The following information is based on un-audited financial statements of the Fund as at September 30:

	2017 (Rupees in thousands)
Size of the fund - Total assets	298,223
Fair value of investments	278,358
Percentage of investments made	93.34

31.1 The cost of above investments amounted to Rs. 256.40 million.

31.2 The break-up of fair value of investments is as follows:

	2017 Percentage	2017 (Rupees in thousands)
National savings scheme	92.18	256,575
Bank deposits	7.78	21,662
Debt securities	0.04	121
	100.00	278,358

31.3 The investments out of provident fund have been made in accordance with the provision of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

32. Number of Employees

	2017
Number of employees including contractual employees at September 30,	556
Average number of employees including contractual employees during the year	560

33. Transactions with related parties

Related parties comprise of subsidiary, associated entities, entities with common directorship, directors and key management personnel. Material transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

	2017 (Rupees in thousands)
Insurance premium paid	28,499
Insurance claims	7,185
Profit on treasury call accounts / term deposits	83,034
Profit accrued on bank deposit	1,449
Purchases of investments	56,000
Sale proceeds of investments	10,035
Dividend received	93,865
Dividend paid	65,572
Bank charges	470

Transactions with related parties are carried out under normal commercial terms and conditions.

34. Dividend

The Board of Directors of the Holding Company in their meeting held on December 28, 2017 have proposed a final cash dividend of Rs.1.75 per share (35%) for the year ended September 30, 2017. The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Holding Company to be held on January 27, 2018.

The Finance Act, 2017 introduced tax on every public company at the rate of 7.5% of accounting income before tax. However, this tax shall not be applied in case of a public company which distributes profit equal to 40% of its after tax profits within six months from the end of the year.

Based on the fact the Board of Directors of the Holding Company has proposed 35% dividend for the year ended September 30, 2017 which exceeds the above prescribed minimum dividend requirement, the Holding Company believes that it would not eventually be liable to pay tax on its undistributed profits as of September 30, 2017.

35. General

35.1 Figures have been rounded off to the nearest thousand rupees.

35.2 As the subsidy company was incorporated during the current year, hence, there are no corresponding figures to report.

35.3 These consolidated financial statements were authorised for issue on December 28, 2017 by the Board of Directors of the Holding Company.

Amir Bashir Ahmed	**Raeesul Hasan**	**Murtaza H. Habib**
Chief Financial Officer	Chief Executive	Director

Pattern of Shareholding as at September 30, 2017

Number of Shareholders	Size of Shareholding From		To	Total Number of Shares held
1,885	1	...	100	38,707
854	101	...	500	247,090
501	501	...	1,000	389,997
1,277	1,001	...	5,000	2,926,214
256	5,001	...	10,000	1,843,811
118	10,001	...	15,000	1,460,403
72	15,001	...	20,000	1,271,357
54	20,001	...	25,000	1,217,797
30	25,001	...	30,000	832,900
21	30,001	...	35,000	688,898
19	35,001	...	40,000	721,756
11	40,001	...	45,000	464,276
15	45,001	...	50,000	728,654
15	50,001	...	55,000	786,249
5	55,001	...	60,000	281,648
9	60,001	...	65,000	565,315
3	65,001	...	70,000	200,282
5	70,001	...	75,000	358,966
7	75,001	...	80,000	547,667
4	85,001	...	90,000	345,858
5	90,001	...	95,000	458,269
1	95,001	...	100,000	100,000
1	100,001	...	105,000	103,500
2	110,001	...	115,000	227,875
1	120,001	...	125,000	122,000
1	125,001	...	130,000	125,757
3	130,001	...	135,000	395,814
1	135,001	...	140,000	138,002
3	140,001	...	145,000	425,385
4	150,001	...	155,000	613,519
1	155,001	...	160,000	157,750
2	165,001	...	170,000	333,471
1	170,001	...	175,000	174,988
2	175,001	...	180,000	356,251
2	185,001	...	190,000	372,279
2	190,001	...	195,000	381,329
3	200,001	...	205,000	606,230
1	205,001	...	210,000	205,156
1	225,001	...	230,000	226,846
1	250,001	...	255,000	254,500
2	280,001	...	285,000	567,330
1	285,001	...	290,000	289,337
1	300,001	...	305,000	304,940
2	305,001	...	310,000	615,646
1	320,001	...	325,000	320,446
2	325,001	...	330,000	657,539
1	340,001	...	345,000	340,740
2	355,001	...	360,000	719,970
1	365,001	...	370,000	366,100
1	385,001	...	390,000	390,000
1	390,001	...	395,000	390,045
2	395,001	...	400,000	795,877
1	400,001	...	405,000	401,000
1	405,001	...	410,000	409,546
1	415,001	...	420,000	417,000
1	420,001	...	425,000	421,146
1	440,001	...	445,000	443,500
1	460,001	...	465,000	463,815
1	465,001	...	470,000	469,737
1	510,001	...	515,000	510,668
1	520,001	...	525,000	521,263
1	530,001	...	535,000	530,057
1	570,001	...	575,000	572,918
1	595,001	...	600,000	597,032
1	655,001	...	660,000	658,571
1	840,001	...	845,000	843,223
1	850,001	...	855,000	851,500
3	865,001	...	870,000	2,599,746
1	880,001	...	885,000	880,825
1	915,001	...	920,000	918,887
1	925,001	...	930,000	930,000
1	970,001	...	975,000	970,127
1	990,001	...	995,000	994,293
1	1,120,001	...	1,125,000	1,122,697
1	1,180,001	...	1,185,000	1,183,324
1	1,220,001	...	1,225,000	1,220,763
1	1,415,001	...	1,420,000	1,418,565
1	1,440,001	...	1,445,000	1,440,330
1	1,510,001	...	1,515,000	1,510,668
1	1,580,001	...	1,585,000	1,584,500
1	1,685,001	...	1,690,000	1,688,251
1	1,815,001	...	1,820,000	1,818,677
1	1,825,001	...	1,830,000	1,827,819
1	1,865,001	...	1,870,000	1,866,906
1	2,025,001	...	2,030,000	2,029,070
1	2,445,001	...	2,450,000	2,448,000
1	2,550,001	...	2,555,000	2,554,417
1	3,070,001	...	3,075,000	3,071,845
1	3,555,001	...	3,560,000	3,559,751
1	4,120,001	...	4,125,000	4,121,950
1	4,445,001	...	4,450,000	4,448,758
1	5,825,001	...	5,830,000	5,825,357
1	6,550,001	...	6,555,000	6,554,075
1	8,865,001	...	8,870,000	8,868,497
1	9,415,001	...	9,420,000	9,415,312
1	11,045,001	...	11,050,000	11,047,753
1	26,510,001	...	26,515,000	26,513,125
5,263				150,000,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
General Public (Local)	5,095	44,135,682	29.11
General Public (Forigen)	79	1,487,202	0.99
Insurance Companies	4	12,722,285	8.48
Joint Stock Companies	57	50,184,610	33.46
Financial Institutions	8	27,166,443	18.42
Modaraba Companies	2	1,521,068	1.01
Charitable Trusts	15	12,772,733	8.52
Societies	2	9,976	0.01
Corporate Law Authority	1	1	0.00
	5,263	150,000,000	100.00

Pattern of Shareholding as at September 30, 2017

Additional Information

Shareholders' Category		Number of Shareholders	Number of Shares Held
Associated Companies, undertakings and related parties			
Habib Mercantile Company (Pvt) Limited		1	510,668
Habib & Sons (Pvt) Limited		1	521,263
Bank AL Habib Limited		1	9,415,312
Hasni Textiles (Pvt) Ltd.		1	8,868,497
Habib Insurance Co. Ltd.		1	4,448,758
NIT and ICP			
National Investment (Unit) Trust (NIT)		1	11,047,753
Investment Corporation of Pakistan		1	2,818
Directors, CEO and their spouses and minor children			
Asghar D. Habib	Chairman	1	2,554,417
Ali Raza D. Habib	Director	1	23,218
Muhammad Nawaz Tishna (NIT Nominee)	"	–	–
Murtaza H. Habib	"	1	1,220,763
Shams Mohammad Haji	"	1	5,000
Amin Ali Abdul Hamid	"	1	23,971
Munawar Ali Habib	"	1	866,583
Raeesul Hasan	Chief Executive	1	31
Mrs. Tahira Ali Asghar w/o Mr. Asghar D. Habib		1	1,818,677
Mrs. Razia w/o Mr. Ali Raza D. Habib		1	80,000
Executives		1	1,220
Public Sector Companies and Corporations		54	40,284,182
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful Modarabas and Pension Funds		11	16,495,155
General Public			
a) Local		5,084	37,541,802
b) Foreign		79	1,487,202
Others			
Charitable & Other Trusts		15	12,772,733
Socieities		2	9,976
Government Institution		1	1
		5,263	150,000,000

Shareholders holding 5% or more voting rights

ICOM Industrie Und Handels, Schaan Principality of Liechtenstein	26,513,125
National Investment Trust (Unit) (NIT)	11,515,753
Bank AL Habib Ltd.	9,415,312
Hasni Textiles (Pvt) Ltd.	8,868,497

The detail of transactions (gift) by the Directors, Executives and their Spouses of the company during the year:

Name	Date	Gift Received No. of shares	Gift Given No. of Shares
Mr. Munawar Ali Habib - Executive	28.11.2016	82,198	
Mr. Asghar D. Habib - Chairman/ Director	27.12.2016	385,720	
Mrs. Tahira Ali Asghar - Spouse of Chairman	10.01.2017	393,613	
Mrs. Razi-Spouse of Director	27.03.2017	80,000	
Mrs. Razi-Spouse of Director	28.03.2017	245,078	

(روپے ہزاروں میں)

پروویڈنٹ فنڈ	278,358
گریجویٹی فنڈ	101,475

۱۱۔ سال کے دوران بورڈ کے پانچ اجلاس منعقد کئے گئے اور ہر ڈائریکٹر کی حاضری کی تفصیلات درج ذیل ہیں:

ڈائریکٹر کا نام	اجلاس میں شرکت کی تعداد
جناب اصغر ڈی حبیب	5
جناب علی رضا ڈی حبیب	3
جناب محمد نواز تشنا	5
جناب مرتضٰی ایچ حبیب	3
جناب امین علی عبدالحمید	5
جناب شمس محمد حاجی	5
جناب عمران اے حبیب*	1
جناب منور علی حبیب**	-
جناب رئیس الحسن	5

*4 جولائی 2017ء کو استعفیٰ دیا

** 5 اگست 2017ء کو شامل ہوئے

۱۲۔ شیئر ہولڈنگ کے طریقہ اور اس سے متعلق اضافی معلومات صفحہ نمبر 103 اور 104 پر دی گئی ہیں۔

۱۳۔ ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری اور ان کی فیملیز کے شیئر ہولڈنگ میں تبدیلی جو کہ شیئر ہولڈنگ کی نوعیت صفحہ نمبر 104 پر دی گئی ہے۔

ڈائریکٹرز کے الیکشن:

ڈائریکٹرز کا انتخاب 30 جنوری 2017ء کو منعقد ہوا اور جناب اصغر ڈی حبیب، علی رضا ڈی حبیب، محمد نواز تشنا، امین علی عبدالحمید، شمس محمد حاجی، مرتضٰی ایچ حبیب اور عمران اے حبیب تین سال کی مدت کے لئے ڈائریکٹر منتخب ہو گئے۔ سال کے دوران جناب عمران اے حبیب نے بورڈ سے استعفیٰ دیا اور ان کی جگہ جناب منور علی حبیب کو شامل کیا گیا۔

جنرل:

ڈائریکٹران اپنے تمام عملے، سروسز خدمات اور سخت محنت سے کام کرنے کا اعتراف کرتے ہیں جس میں کمپنی کے آفیسرز، اسٹاف اور ورکرز شامل ہیں اور ان مالیاتی اداروں کا شکریہ بھی ادا کیا ہے جن کے ساتھ ہمارے کاروباری تعلقات اور ہمارے کسٹمرز کا بھی جن کی سپورٹ اور تعاون حاصل رہا۔

بورڈ آف ڈائریکٹرز کی جانب سے

رئیس الحسن
چیف ایگزیکیٹو

مرتضٰی ایچ حبیب
ڈائریکٹر

کراچی مورخہ: 28 دسمبر 2017ء

صحت حفاظت اور سیکیورٹی:

ایک اہم ذمہ دار ادارے کے طور پر کمپنی اس بات پر مکمل اتفاق کرتی ہے کہ صحت حفاظت اور سیکیورٹی کا اعلیٰ معیار قائم کیا جائے۔ کمپنی باقاعدگی سے آس پاس رہنے والے لوگوں کی طبی ضروریات اور امداد فراہم کرتی ہے اور اس حوالے سے کلینکس اور ویلفیئر اداروں کو طبی اور دیگر سہولیات فراہم کرنے کیلئے عطیات دیتی رہتی ہے۔

خصوصی افراد کے لئے روزگار:

کمپنی نے جسمانی طور پر معذور افراد کو ملازمت فراہم کی ہیں جو کہ معذور افراد (تقرری اور آبادکاری) آرڈیننس 1981 پر عمل کرتے ہوئے کیا ہے۔

صنعتی تعلقات:

کمپنی کے اندر اچھے ماحول اور مناسب صنعتی تعلقات کی بنیاد پر کام کیا جا رہا ہے۔

قومی خزانے میں حصہ داری:

آپ کی کمپنی نے ٹیکسز، محصولات، سیلز ٹیکس اور ایکسائز ڈیوٹی کی مد میں مبلغ 731.02 ملین روپے قومی خزانے میں جمع کرائے ہیں اس کے علاوہ قیمتی زرمبادلہ بھی حاصل کیا جو کہ مبلغ 2,730.40 ملین روپے (26.02 US$ ملین) کے مساوی ہیں جو کہ زیر نظر سال کے دوران شکر، ایتھانول اور گھریلو ٹیکسٹائل کی ایکسپورٹ سے حاصل کیا۔

آڈیٹرز:

ریٹائر ہونے والے موجودہ آڈیٹرز میسرز EY فورڈ روڈز، چارٹرڈ اکاؤنٹینٹس نے اہل ہونے کی بنیاد پر دوبارہ تقرری کیلئے پیشکش کی ہے۔

آڈٹ کمیٹی نے میسرز EY فورڈ روڈز، چارٹرڈ اکاؤنٹینٹس کو آئندہ سال کے لئے کمپنی کے آڈیٹرز کے طور پر دوبارہ تقرری کیلئے سفارش کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک سے متعلق اسٹیٹمنٹ:

۱۔ مالیاتی حسابات جو کہ کمپنی نے مرتب کئے ہیں یہ شفاف انداز میں کمپنی کے ضروری امور اور آپریشنز کے نتائج کیش فلو اور ایکوئٹی میں تبدیلی کو ظاہر کرتے ہیں۔

۲۔ کمپنی کی بکس آف اکاؤنٹ مناسب طریقے سے ترتیب دیئے جاتے ہیں۔

۳۔ مالیاتی حسابات کی تیاری کے سلسلے میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور کسی بھی تبدیلی اور تخمینہ کو مناسب اور واضح طور پر ظاہر کیا جاتا ہے۔

۴۔ انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز جو کہ پاکستان میں نافذ العمل ہے اس پر مالیاتی حسابات کی تیاری پر لاگو کیا جاتا ہے۔ جہاں نہیں کی گئی وہاں مناسب طور پر وضاحت کی گئی ہے۔

۵۔ داخلی کنٹرول کا نظام مستحکم ہے اور موثر طور پر اس پر عمل درآمد اور نگرانی کی جاتی ہے۔

۶۔ کمپنی کی صلاحیت بطور چلتے ہوئے کاروبار پر کسی قسم کا کوئی شک وشبہ نہیں ہے۔

۷۔ کارپوریٹ گورنیس کے طریقہ کار جیسا کہ لسٹنگ ریگولیشنز میں تفصیل دی گئی ہے جسکی کوئی خلاف ورزی نہیں کی گئی ہے۔

۸۔ چھ سال کے مالیاتی اعداد وشمار اور آپریشن کے متعلق معلومات صفحہ نمبر ۱۱ پر دی گئی ہیں۔

۹۔ ٹیکسز اور محصولات سے متعلق معلومات مالیاتی اسٹیٹمنٹ کے نوٹس میں دی گئی ہے۔

۱۰۔ سرمایہ کاری کی ویلیو بشمول حاصل کردہ منافع اور پروویڈنٹ فنڈ اور گریجویٹی فنڈ کا ڈپازٹ/کرنٹ اکاؤنٹ میں بیلنس 30 ستمبر 2017ء درج ذیل ہے:

کارپوریٹ معاشرتی ذمہ داری:

حبیب شوگر ملز کارپوریٹ معاشرتی ذمہ داری (CSR) جوکہ 1962ء میں قائم ہونے کے سال سے ہی پروگرام مرتب کرتی ہے۔ مقامی کمیونٹیز، گورنمنٹ باڈیز اور سول سوسائٹی آرگنائزیشن کی ضروریات پر توجہ دیتی ہے۔ کمپنی کا CSR پورٹ فولیو سالوں پر محیط ہے جس میں سوشل ویلفیئر، تعلیم، صحت کی حفاظت، انفراسٹرکچر کی ترقی اور دیگر امور شامل ہیں۔

کمیونٹی کی سرمایہ کاری اور ویلفیئر اسکیم:

ایک ذمہ دار شہری کی حیثیت سے کمپنی نے باقاعدہ بنیاد پر کئی ویلفیئر سرگرمیوں میں حصہ لیا اور اس حوالے سے سیکنڈری سطح تک اسکول چلانا، آنکھوں کے کیمپ کا قیام، ملز کے آس پاس کے ایریا میں رہنے والوں کو مالی تعاون اور مفت راشن اور میڈیکل کی معاونت ضرورت مند افراد کو کی جاتی ہے۔ معاشرتی اور اقتصادی امور میں کمپنی اپنا کردار ادا کرتی ہے اور ضلع میں تمام سطح پر سراہا جاتا ہے۔

اس سال کے دوران کمپنی نے فیملی ایجوکیشن سروسز فاؤنڈیشن (FESF) جوکہ ایک غیر منافع بخش ادارہ ہے اس کی مستقل معاونت کر رہا ہے جوکہ نواب شاہ میں بہروں کا اسکول چلا رہے ہیں۔ آپ کی کمپنی نے اس سال کے دوران مبلغ 12.0 ملین پاکستانی روپے کا عطیہ دیا ہے۔ اس وقت اس اسکول میں 231 طالب علم داخل ہیں اور یہ واحد ادارہ ہے جوکہ نواب شاہ میں بہرے افراد کے لئے بہترین تعلیمی سہولت فراہم کرتا ہے تاکہ ان کی طرز زندگی میں بہتری آئے اور تعلیمی ماحول سے اپنی اہلیت کو بڑھائیں۔

اس سال کے دوران کمپنی نے 4.20 ملین روپے مختلف رجسٹرڈ خیراتی اداروں کو عطیہ دیا۔ جوکہ تعلیم اور مالی تعاون اور ضرورت مند لوگوں کو مہیا کرتے ہیں جوکہ معاشرے میں خدمات کا مثبت رجحان ہے۔

ماحولیات:

کمپنی اپنے ملازمین اور نواب شاہ کے رہائشی افراد کی صحت پر اہم توجہ دیتی ہے اور ضروری اقدامات اور خطیر رقم خرچ کی ہے تاکہ اس بات کو یقینی بنایا جائے کہ آلودگی سے پاک ماحول فراہم کیا جائے۔

ملز کے بوائلرز میں راکھ دور کرنے کے لئے سسٹم نصب کیا گیا ہے جوکہ مستقل طور پر کامیابی سے چل رہا ہے اور کالے ذرے مکمل طور پر غائب ہوگئے ہیں۔ کمپنی نے شوگر فیکٹری میں ایک آلودہ پانی کا ٹریٹمنٹ پلانٹ بھی لگایا ہے تاکہ آئل گریس اور دیگر سیال مادے اس پانی سے خارج کیا جاسکے۔ یہ پروجیکٹ مکمل ہونے کے بعد کامیابی سے اطمینان بخش نتائج حاصل کر رہا ہے اسی طرح RCC پائپنگ کے ساتھ کھلے ہوئے ڈرین چینلز کی تبدیلی بھی کی گئی ہے تاکہ سیپج کو دور کیا جاسکے اور آس پاس کے ایریاز متاثر نہ ہوں۔

بائیوگیس پلانٹ اور کاربن ڈائی آکسائیڈ ریکوری پلانٹس کی تنصیب ہماری معاشرتی ذمہ داری ہے جوکہ ہمارے نکاسی کے عمل سے گرین ہاؤس گیسز کو کم کرنے میں مددگار ہوسکتا ہے۔ کمپنی نے Upflow Anaerobic Sludge Bed (UASB) سسٹم کی بنیاد پر صنعتی ضائع شدہ پانی کے ٹریٹمنٹ کا پلانٹ بھی نصب کیا ہے جوکہ بائیوگیس کی شکل میں توانائی کے حصول سے متعلق ہے۔

اللہ تعالیٰ کے کرم سے ان پروجیکٹس کے کامیاب آپریشن کے تحت نواب شاہ کے لوگوں کے لئے آلودگی سے پاک ماحول فراہم کرنے کی یقین دہانی کی گئی ہے۔

دسمبر 2017ء میں حکومت نے ملکی تجدیدوسائل کی بنیاد پر منصوبوں کے لئے بجلی کی خریداری کو روکنے کا اعلان کیا اور بولی مقابلہ کے عمل کے ذریعے بجلی پیدا کرنے والے معاہدہ طے کئے جائیں گے اس کے علاوہ یہ بھی اعلان کیا کہ حکومت صرف ان قابل تجدید منصوبوں کو مکمل کرے گی جنہوں نے 10 دسمبر 2017ء سے پہلے توانائی کی خریداری کے معاہدے (EPA) اور عمل درآمد (آئی۔اے) پر دستخط کئے ہیں۔ انتظامیہ صورتحال کا جائزہ لینے کے بعد مستقبل کے بارے میں فیصلہ حکومت کے نوٹفکیشن جاری کرنے اور مزید وضاحت کے بعد کیا جائے گا۔

ونڈ پاور پروجیکٹ میں سرمایہ کاری:

کمپنی کے شیئر ہولڈرز نے یونی انرجی لمیٹڈ میں 450 ملین روپے تک کی سرمایہ کاری کی منظوری دی جو کہ ایک غیر درج شدہ ذیلی پبلک کمپنی ہے۔ جو کہ ہوا کو استعمال کرتے ہوئے بجلی کی پیداوار تقسیم اور متعلقہ کاروباری سرگرمیوں کو انجام دیگی۔

سال کے دوران کمپنی نے ابتدائی طور پر مبلغ 12.50 ملین روپے کی سرمایہ کاری کی۔ حکومت سندھ نے لیٹر آف انٹینٹ (LOI) جاری کیا ہے اور جھمپیر ضلع ٹھٹھہ میں پروجیکٹ لگانے کے لئے زمین الاٹ کی ہے۔ حکومت حالیہ طور پر ٹیرف کی بنیاد کے طریقہ کار پر نظر ثانی کر رہی ہے۔ آئندہ کا لائحہ عمل حکومت کی وضاحت کے بعد کیا جائے گا۔

فوڈ بزنس میں سرمایہ کاری:

کمپنی کی بصارت کے حوالے سے کمپنی کے ڈائریکٹران نے یونی فوڈ انڈسٹریز لمیٹڈ میں 120 ملین روپے سرمایہ کاری کی منظوری دی ہے جو کہ ایک غیر درج شدہ کمپنی ہے۔ کمپنی نے 20 دسمبر 2017ء تک 66.20 ملین روپے کی سرمایہ کاری کی ہے کمپنی کا اہم کاروبار کنفیکشنری آئٹمز اور دیگر متعلقہ پروڈکٹس کی برانڈ اور اس کی مینوفیکچرنگ ہے۔ کمپنی کی پلانٹ مشینوں کی تنصیب کا کام آخری مرحل میں ہے اور امید ہے کہ کمپنی مارچ 2018ء تک تجارتی پیدوار شروع کرے گی۔

بورڈ اور انتظامی کمیٹیز:

آڈٹ کمیٹی:

کمپنی نے نظم وضبط کے تحت آڈٹ کمیٹی تشکیل دی ہے۔ یہ آڈٹ کمیٹی تین ممبران پر مشتمل ہے جن میں دو نان ایگزیکیٹیو ڈائریکٹرز بشمول کمیٹی کے چیئرمین اور ایک انڈیپینڈینٹ نان ایگزیکیٹیو ڈائریکٹر ہیں۔ آڈٹ کمیٹی سال کے دوران چار اجلاس منعقد کرتی ہے۔ ان اجلاسوں میں شرکت کی تعداد درج ذیل ہے:

		اجلاس میں شرکت کی تعداد
جناب امین علی عبدالحمید	چیئرمین	4
جناب علی رضا ڈی حبیب	ممبر	2
جناب شمس محمد حاجی	ممبر	4

HR اور معاوضہ کمیٹی:

کمپنی نے نظم وضبط کے تحت HR اور معاوضہ کمیٹی CCG کے تحت قائم کی ہے۔ یہ کمیٹی تین ممبران پر مشتمل ہے جن میں دو نان ایگزیکیٹیو ڈائریکٹران ہیں اور CEO بھی کمیٹی کا ممبر ہے۔ کمیٹی کا چیئرمین جو کہ انڈیپینڈینٹ نان ایگزیکیٹیو ڈائریکٹر ہے یہ کمیٹی سال کے دوران ایک میٹنگ کرتی ہے۔ اس میٹنگ میں شرکت کی تفصیل درج ذیل ہے:

		اجلاس میں شرکت کی تعداد
جناب شمس محمد حاجی	چیئرمین	1
جناب امین علی عبدالحمید	ممبر	1
جناب رئیس الحسن	ممبر	1

حکومت سندھ نے 5 دسمبر 2017ء کو گنے کی کم از کم سپورٹ پرائس برائے سیزن 18-2017 کے نوٹفکیشن کا اجراء کیا جس میں گنے کی قیمت -/182 روپے فی 40 کلوگرام مقرر کی گئی۔ علاوہ ازیں ملز کوالٹی پریمیئم شکر کی اوسط ریکوری کے بینچ مارک 8.70 فیصد سے زائد ہر 0.10 فیصد پر 0.50 روپے فی 40 کلوگرام ادا کریگی۔ حالانکہ نوٹفکیشن کے مطابق یہ معاملہ معزز سپریم کورٹ آف پاکستان میں زیرِ سماعت ہے اور وفاقی حکومت کی اسٹیرنگ کمیٹی کے فیصلہ کے مطابق کوالٹی پریمیئم کا معاملہ معزز سپریم کورٹ کے فیصلے تک معطل رہے گا یا وفاقی حکومت کوئی متفقہ لائحہ عمل طے نہ کرے۔ دسمبر 2017ء میں ملک میں شکر کے ذخیرے کی مقدار پر غور کرنے کے بعد ECC نے مزید 1,500 ملین ٹن شکر برآمد کرنے کی اجازت دی۔

سندھ گورنمنٹ نے گنے کی کم از کم سپوٹ پرائس 182/40kg روپے مقرر کرنے میں ناانصافی کی اور اسکی مطابقت شکر قیمتوں میں قومی اور بین الاقوامی منڈیوں کے حساب سے نہیں کی۔ آپ کی کمپنی نے دوسرے شوگر ملز کے ساتھ مل کر ایک پٹیشن معزز ہائی کورٹ آف سندھ میں دائر کی ہے اور کہا ہے کہ مقرر کردہ قیمت یکطرفہ اور غیر منصفانہ ہے اس کی وجہ سے صوبہ سندھ کی شوگر صنعت مالی بحران اور اقتصادی تباہی کا شکار ہوگی۔ محترم ہائی کورٹ آف سندھ نے تحریری حکم 22 دسمبر 2017 کو جاری کیا کہ شوگر ملز کسانوں کو 172/40kg روپے کے حساب سے 23 دسمبر 2017 سے ادا کرے اور کورٹ کے ناظر کو عبوری حکم کے تین ہفتوں کے اندر قیمتوں کے فرق کی ضمانت 17-2016 کی کرشنگ کے حساب سے برابر فراہم کرے۔ عبوری حکم سے متاثرہ شوگر ملوں نے دوبارہ غور کے لئے درخواست دائر کی جس کی سنوائی 28 دسمبر 2017ء کو ہوگی۔

ڈسٹلری ڈویژن:

ڈسٹلری ڈویژن میں 27 دسمبر 2017ء تک ایتھانول کی پیداوار 4,547 میٹرک ٹن ہوئی اور لیکوئیڈ فائڈ کاربن ڈائی آکسائیڈ کی پیداوار 1,485 میٹرک ٹن ہوئی۔ روپے کی قدر ڈالر کے مقابلہ میں کمی اور شیرے کی قیمتوں میں کمی کی وجہ سے منافع پر مثبت اثر ہوگا۔

ٹیکسٹائل ڈویژن:

اضافی برآمدات کی نئی منڈی کی تلاش کرنے کی کوشش کی جارہی ہے تاکہ فروخت کا حجم اور منافع میں اضافہ ہو۔

گنے کی کرشنگ صلاحیت میں اضافہ:

سال کے دوران شوگر ڈویژن کی گنے کی کرشنگ کی صلاحیت کو 11,000 میٹرک ٹن تک روزانہ کی بنیاد پر توازن جدت اور تبدیلی (بی۔ایم۔آر) کے تحت بڑھایا گیا ہے۔ اور اس بڑھی ہوئی کرشنگ صلاحیت کا تجربہ گزشتہ سیزن 2017-2016 کے آخر میں چلا کر مکمل کیا۔

لگاس پر مبنی کوجنریشن 26.5 میگاواٹ (ایم ڈبلیو) منصوبہ میں سرمایہ کاری:

بورڈ آف ڈائریکٹرز کی اپنی میٹنگ 29 اپریل 2017 کو ایچ۔ ایس ایم انرجی میں 750 ملین روپے کی سرمایہ کاری کی منظوری دی۔ یہ کمپنی ایک مکمل ملکیتی ماتحت ادارہ ہے۔ ایچ۔ ایس۔ ایم انرجی 16 مئی 2017 کو قیام میں آئی تھی۔ اسکا ابتدائی مجازی سرمایہ ایک لاکھ روپے ہے۔ کمپنی نے اس منصوبہ پر 20 دسمبر 2017 تک 24.41 ملین روپے خرچ کئے جو کہ فیس، مشارتی عمل اور ذیلی اخراجات ہیں۔

کمپنی نے بجلی پیدا کرنے کا لائسنس، ٹیرف اور لیٹر آف سپورٹ کی منظوری حاصل کرلی ہے۔ توانائی کی خریداری کے معاہدے پر (ای۔پی۔اے) اور کمپنی نے اب تک دستخط اس لئے نہیں کئے کہ ٹیرف کی نظر ثانی کی درخواست سنٹرل پاور پرچیزنگ ایجنسی (CPPA) نے دی ہے جس کی سماعت الیکٹرک پاور ریگولیٹری اتھارٹی (نیپرا) کے پاس زیرِ التوا ہے۔ آخری بار درخواست کی سماعت 14 دسمبر کو مقرر تھی جو کہ سنی نہیں گئی۔

ڈویژن کے آپریشنز کی تفصیلات کا موازنہ درج ذیل ہے:

	2016-17	2015-16
ایتھانول		
آپریشن کی مدت ایام	344	347
شیرے کی مقدار میٹرک ٹن	182,774	175,538
ایتھانول کی پیداوار ,,	33,687	31,817
لیکوئیڈ فائڈ کاربن ڈائی آکسائیڈ (CO2)		
آپریشن کی مدت ایام	277	267
لیکوئیڈ فائڈ کاربن ڈائی آکسائیڈ (CO2) کی پیداوار میٹرک ٹن	11,069	10,104

ٹیکسٹائل ڈویژن:

ٹیکسٹائل ڈویژن کا خسارہ 1.23 ملین روپے ہوا جس کا موازنہ گزشتہ سال کے دوران کے منافع 9.96 ملین روپے سے کیا جا سکتا ہے۔ اس ڈویژن میں خسارے کی وجہ سوت کی قیمتوں میں اضافہ اور فروخت کے حجم میں کمی ہے۔

ڈویژن کے آپریشنز کی تفصیلات کا موازنہ درج ذیل ہے:

	2016-17	2015-16
آپریشن کی مدت ایام	300	350
سوت کی مقدار کلوگرام	584,310	650,892
تیار مال کی پیداوار ,,	515,253	558,194

ٹریڈنگ ڈویژن:

زیرِ نظر سال کے دوران اس ڈویژن کا منافع شکر کی اور شیرے کی تجارت سے مبلغ 6.56 ملین روپے حاصل کیا جس کا موازنہ گزشتہ سال کے دوران منافع کا تناسب 53.24 ملین روپے سے کیا جا سکتا ہے۔ منافع میں کمی کی وجہ شکر کی تجارت میں خسارہ بوجہ شکر کی سال کے آخری حصے میں قیمتوں میں کمی کی وجہ سے ہوا۔

مستقبل کا پروگرام:

شوگر ڈویژن:

کمپنی کے شوگر ڈویژن میں گنے کی کرشنگ شروع کی ہے اور 27 دسمبر 2017 تک گنے کی کُل کرشنگ 156,906 میٹرک ٹن تھی جبکہ اوسط ریکوری کا تناسب 9.38 فیصد اور شکر کی پیداوار 14,727 میٹرک ٹن بشمول شکر ان پراسس تھی۔

سیزن گنے کی کرشنگ 821,801 میٹرک ٹن تھی ۔ جبکہ شکر کی اوسط ریکوری 10.74 فیصد تھی اور شکر کی پیداوار 88,271 میٹرک ٹن تھی ۔شکر کی پیداوار گزشتہ سیزن کے مقابلے میں ریکوری کی کمی کی وجہ سے کم رہی ۔

حکومت سندھ نے 31 اکتوبر 2016 کو گنے کی کم از کم سپورٹ پرائس برائے سیزن 2017-2016 کے نوٹیفکیشن کا اجراء کیا جس میں گنے کی قیمت -/182 روپے فی 40 کلوگرام مقرر کی گئی اس کے مقابلے میں گزشتہ سیزن 2016-2015 میں -/172 روپے فی 40 کلو گرام تھی ۔علاوہ ازیں ملز کوالٹی پریمیم شکر کی اوسط ریکوری کے بینچ مارک 8.70 فیصد سے زائد ہر 0.10 فیصد پر 0.50 روپے فی 40 کلو گرام ادا کرے گی ۔حالانکہ نوٹیفکیشن کے مطابق یہ معاملہ معزز سپریم کورٹ آف پاکستان میں زیر سماعت ہے اور وفاقی حکومت کی اسٹیئرنگ کمیٹی کے فیصلے کے مطابق کوالٹی پریمیم کا معاملہ معزز سپریم کورٹ کے فیصلے تک معطل رہے گا یا وفاقی حکومت کوئی متفقہ لائحہ عمل طے نہ کرے ۔

ڈویژن کے آپریشن کی تفصیلات کا موازنہ درج ذیل ہے:

		2016-17	2015-16
کرشنگ کی مدت	ایام	128	111
گنے کی کرشنگ	میٹرک ٹن	865,530	821,801
شکر کی اوسط ریکوری	%	9.97	10.74
شکر کی پیداوار	میٹرک ٹن	86,316	88,271

موجودہ کرشنگ سیزن کے دوران گنے کی دستیابی غیر متواتر رہی جس کے نتیجہ میں گنے کی کرشنگ کا یومیہ اوسط تناسب گزشتہ سیزن کے مقابلہ میں کم رہا ۔علاوہ ازیں عالمی طور پر گرم درجہ حرارت کی وجہ سے شکر کی ریکوری گزشتہ سال کے مقابلہ میں کم رہی ۔

اکنامک کوآرڈینیشن کمیٹی (EEC) نے 0.725 ملین ٹن شکر برآمد کرنے کی اجازت دسمبر 2016 سے جولائی 2017 کے دوران بغیر کسی مراعات اور سبسڈی کے دی ۔اس اجازت کے بعد مارچ 2017 میں آپ کی کمپنی نے 5,200 ٹن شکر برآمد کی بعد ازیں بین الاقوامی منڈیوں میں شکر کی گرتی ہوئی قیمتوں کی وجہ سے مزید برآمد قابل عمل نہیں سمجھی گئی ۔

اس سال کے دوران ملک میں شکر کی ریکارڈ پیداوار 7.1 ملین میٹرک ٹن رہی اور اس کے مقابلہ میں اندازاً 6 ملین میٹرک ٹن شکر ملک میں استعمال ہوئی جس کے نتیجہ میں چینی کی زائد فراہمی کی صورتحال پیدا ہوگئی اس بناء پر مارکیٹ میں مندی کا رجحان رہا اور ساتھ ساتھ بین الاقوامی مارکیٹ میں بھی قیمتیں کم ہونے سے برآمد قابل عمل نہیں رہی ۔قومی اور بین الاقوامی منڈی میں شکر کی قیمت انتہائی کم ہونے کی وجہ سے شکر ڈویژن کے منافع پر منفی اثرات مرتب ہوئے جس کے نتیجہ میں خسارہ 110.96 ملین روپے رہا جس کا موازنہ پچھلے سال کے منافع 318.36 ملین روپے سے کیا جا سکتا ہے ۔

ڈسٹلری ڈویژن:

ڈسٹلری ڈویژن کی کارکردگی الحمدللہ اطمینان بخش رہی اور اس ڈویژن نے مبلغ 362.58 ملین روپے کا منافع حاصل کیا جس کا موازنہ گزشتہ سال کے منافع کی رقم 336.21 ملین روپے سے کیا جا سکتا ہے ۔

لیکوئیڈ فائڈ کاربن ڈائی آکسائیڈ (CO_2) یونٹ کا آپریشن اطمینان بخش رہا اور 11,069 میٹرک ٹن کی پیداوار ہوئی ہے جس کا موازنہ گزشتہ سال کی پیداوار 10,104 میٹرک ٹن سے کیا جا سکتا ہے ۔

ڈائریکٹرز کی رپورٹ

محترم ممبران ۔ السلام علیکم

بورڈ آف ڈائریکٹرز اور اپنی جانب سے ہم آپ لوگوں کو کمپنی کی 56 ویں سالانہ جنرل میٹنگ میں خوش آمدید کہتے ہیں اور 30 ستمبر 2017ء کو ختم ہونے والے سال کیلئے کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی حسابات پیش کرتے ہیں۔

اللہ کے فضل و کرم سے زیرِ جائزہ سال کے دوران آپ کی کمپنی کے آپریشن کی وجہ سے منافع بعد از ٹیکس کی رقم مبلغ 557.42 ملین روپے رہا۔ کمپنی کی کارکردگی کے نتائج اور بورڈ کی سفارش کے مطابق تصرفات درج ذیل ہیں۔

		(روپے ہزاروں میں)
منافع بعد از ٹیکسیشن		557,417
دیگر کل آمدنی کی ایڈجسٹمنٹ		(275)
غیر منقسمہ منافع براڈ فارورڈ		2,753
		2,478
تصرف کیلئے دستیاب منافع		559,895
مجوزہ:	۔ کیش ڈویڈنڈ 35% جو کہ مبلغ 1.75 روپے بحساب 5 روپے فی عام شیئر	262,500
	۔ جنرل ریزرو کو منتقلی	295,000
		557,500
غیر منقسمہ منافع کیری فارورڈ		2,395
آمدنی فی شیئر ۔ بنیادی اور معتدل		روپے 3.72

کارکردگی کا جائزہ:

ڈویژن وائز کارکردگی درج ذیل ہے:

شکر ڈویژن:

گنے کی کرشنگ کا سیزن 2017-2016، 17 نومبر 2016 کو شروع ہوا اور 24 مارچ 2017 تک 128 دن پلانٹ کو چلایا گیا۔ اس کے مقابلہ میں گزشتہ سیزن 111 دن چلا تھا۔ موجودہ سیزن کے دوران گنے کی کرشنگ 865,530 میٹرک ٹن رہی جبکہ شکر کی اوسط ریکوری کا تناسب 9.97 فیصد رہا اور شکر کی پیداوار 86,316 میٹرک ٹن ہوئی۔ مقابلتاً گزشتہ

بورڈ کی کارکردگی مندرجہ ذیل جز وکو مدنظر رکھتے ہوئے کی گئی ہے:

بورڈ اپنے اور اپنی کمیٹیوں میں سی سی جی کے تحت نان ایگزیکٹو اور انڈیپنڈینٹ ڈائریکٹرز کی مناسب نمائندگی کو یقینی بناتا ہے۔ بورڈ کے ارکان اور اس کی متعلقہ کمیٹیاں اپنی ذمہ داریوں کو سرانجام دینے کے لئے ضروری صلاحیت اور تجربہ رکھتی ہے۔

بورڈ نے اسٹریٹجک منصوبہ بندی، خطروں کی تشخیص اور پالیسی بنانے کے عمل میں فعال طور پر حصہ لیا ہے۔ بورڈ نے اس بات کو یقینی بنایا کہ تمام پالیسیوں کو کمپنی کے وژن اور مشن کے تناظر میں بنایا جائے۔ بورڈ انتظامیہ کے لئے سالانہ بجٹ، مقاصد اور اہداف مقرر کرتا ہے۔

بورڈ اور اس کی کمیٹیوں نے اپنے فرائض تندہی کے ساتھ سرانجام دیئے اور انتظامیہ کے ذریعے کمپنی کے مقاصد، حکمت عملی اور مالیاتی اہداف کے حصول کے متعلق مکمل آگاہی رکھی۔ بورڈ نے فیصلوں پر پہنچنے کے لئے وسیع اور مفید بحث کی اور بروقت نگرانی کے ساتھ انتظامیہ کو مناسب ہدایات فراہم کیں۔

بورڈ نے خود تشخیص کے طریقہ کار اور اندرونی آڈٹ کی سرگرمیوں کے ذریعہ مؤثر اندرونی کنٹرول سسٹم تشکیل کیا اور گورنینس کے مضبوط اور شفاف ماحول کو برقرار رکھا۔ اس کے علاوہ بورڈ نے کارپوریٹ گورنینس کے بہترین اصولوں پر عمل کیا۔

آخر میں، میں اپنے ساتھی ڈائریکٹرز، ایگزیکٹو ٹیم اور کمپنی کے تمام ملازمین کی کمپنی کی ترقی کے لئے کی گئی سخت محنت اور عزم کے لئے انکا مشکور ہوں۔

اصغر ڈی حبیب
چیئرمین

کراچی مورخہ 28 دسمبر 2017ء

چیئرمین کی رپورٹ

چیئرمین کی جانب سے کمپنی ایکٹ، 2017ء کے سیکشن 192 کے تحت بورڈ کی مجموعی کارکردگی پر جائزہ رپورٹ

دورانِ سال حبیب شوگر ملز لمیٹڈ (" کمپنی ") کے بورڈ آف ڈائریکٹرز (بورڈ) کی کارکردگی اطمینان بخش رہی۔ بورڈ قانون اور کمپنی کے آرٹیکلز کے تحت منظم ہے جس میں اس کے فرائض، ذمہ داریاں اور حقوق کی وضاحت کی گئی ہے۔

30 جنوری، 2017 کو، ڈائریکٹرز نے اپنی مدت مکمل کر لی اور میسرز اصغر ڈی حبیب، علی رضا ڈی حبیب، محمد نواز تشنا، امین علی عبدالحمید، شمس محمد حاجی، مرتضیٰ ایچ حبیب اور عمران اے حبیب کو تین سال کی مدت کے لئے ڈائریکٹر منتخب کیا گیا۔ دورانِ سال جناب عمران اے حبیب نے بورڈ سے استعفیٰ دے دیا اور ان کی جگہ منور علی حبیب کو بورڈ میں شامل کیا گیا۔

کمپنی کا موجودہ بورڈ درج ذیل ڈائریکٹرز پر مشتمل ہے:

جناب اصغر ڈی حبیب	چیئرمین، نان ایگزیکٹو ڈائریکٹر
جناب علی رضا ڈی حبیب	نان ایگزیکٹو ڈائریکٹر
جناب محمد نواز تشنا	نان ایگزیکٹو ڈائریکٹر
جناب امین علی عبدالحمید	نان ایگزیکٹو ڈائریکٹر
جناب شمس محمد حاجی	انڈیپینڈنٹ ڈائریکٹر
جناب مرتضیٰ ایچ حبیب	ایگزیکٹو ڈائریکٹر
جناب منور علی حبیب	ایگزیکٹو ڈائریکٹر
جناب رئیس الحسن	چیف ایگزیکٹو

مالی سال 17-2016 کے دوران بورڈ نے پانچ (5) بار ملاقات کی۔ بورڈ نے تمام ریگولیٹری ضروریات کے مطابق اور قابل اطلاق قوانین کو مدنظر رکھتے ہوئے بہترین طریقوں کے مطابق عمل کیا۔

کارپوریٹ گورنینس (سی سی جی) کے تحت کمپنی کے بورڈ کا سالانہ جائزہ لیا جاتا ہے۔ اس جائزے کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور اسکے موثر ہونے کو جانچا جائے اور کمپنی کے مقاصد کے تناظر میں توقعات کو پورا کیا جائے۔

Form of Proxy

The Company Secretary
Habib Sugar Mills Limited
Imperial Court, 3rd Floor
Dr. Ziauddin Ahmed Road
KARACHI – 75530

I/We .... of..
a member(s) of HABIB SUGAR MILLS LIMITED and holding ....
ordinary shares, as per Folio No. .... and /or CDC Participant's
I.D. Numbers ....
and Account / Sub-Account No. ....
hereby appoint ....of.......................................
or failing him..of...
another member of the Company to vote for me / us and on my / our behalf at the 56th Annual General Meeting of the Company to be held on Saturday, January 27, 2018 and at any adjournment thereof.

As witness my / our hand this..day of..................................2018

Rs. Five
Revenue
Stamp

....
SIGNATURE OF MEMBER(S)

1. Witness Signature: ____________
   Name: ____________
   Address: ____________
   CNIC/Passport No: ____________

2. Witness Signature: ____________
   Name: ____________
   Address: ____________
   CNIC/Passport No: ____________

A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as a proxy to attend and vote on his / her behalf.

Any individual beneficial owner of CDC, entitled to attend and vote at this meeting must bring his / her National Identity Card, Account and Participant's ID Numbers to prove his / her identity, and in case of proxy, must enclose attested copies of his / her National Identity Card, Account and Participant's ID Numbers. Representatives of corporate members should bring the usual documents as required for such purpose.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation its common seal (if any) should be affixed to the instrument.

The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified copy thereof, should be deposited at the registered office of the Company at least 48 hours before the time of the meeting.

پراکسی فارم

کمپنی سیکریٹری
حبیب شوگر ملز لمیٹڈ
امپیریل کورٹ، تیسری منزل،
ڈاکٹر ضیاء الدین روڈ، کراچی۔ ۷۵۵۳۰

میں/ہم ____________________
ساکن ____________________
میں بحیثیت ممبر حبیب شوگر ملز لمیٹڈ ____________________
عام شیئرز جن کے شیئر رجسٹر فولیو نمبر ________ اور/یا سی ڈی سی پارٹیسپینٹس آئی ڈی نمبر ________
اور ذیلی اکاؤنٹ نمبر ________ بذریعہ ہٰذا ________
ساکن ____________________
اور اگر ان کے لئے ممکن نہ ہو تو ________ ساکن ________
کو بطور اپنا/ہمارا پراکسی مقرر کرتا/کرتی ہوں تا کہ وہ ۲۷ جنوری ۲۰۱۸ء کو منعقد کئے جانے والے کمپنی کے ۵۶ ویں سالانہ اجلاسِ عام میں میری/ہماری جگہ ووٹ دے سکیں۔

دستخط ________ مورخہ ________

ممبر کے دستخط

دستخط مبلغ ۵ روپے کے ڈاک ٹکٹ

گواہان:

دستخط ________	دستخط ________
نام ________	نام ________
پتہ ________	پتہ ________
شناختی کارڈ نمبر ________	شناختی کارڈ نمبر ________
پاسپورٹ نمبر ________	پاسپورٹ نمبر ________

نوٹ:

۱) ہر وہ ممبر جسے اجلاسِ ہٰذا میں شرکت کرنے اور ووٹ دینے کا حق حاصل ہے اپنے بجائے شرکت کرنے اور ووٹ دینے کے لئے کسی دوسرے ممبر کو اپنا پراکسی مقرر کرسکتا/کرسکتی ہے
۲) سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز لازمی طور پر اس پراکسی فارم کے ساتھ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کریں۔
۳) موثر العمل ہونے کے لئے پراکسیز اجلاس کے وقتِ انعقاد سے کم از کم ۴۸ گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں لازماً وصول ہو جائیں۔ پراکسی کو کمپنی کا رکن ہونا ضروری ہے۔